

# MICROCOMPUTER SOFTWARE DEALER SURVEY

INPUT



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## MICROCOMPUTER SOFTWARE DEALER SURVEY

### ABSTRACT

The microcomputer software industry has grown up very quickly. Nowhere is the maturation more visible than in the way distribution of software has evolved. Homemade software applications distributed through mail order have given way to slickly packaged, heavily advertised \$500 microcomputer software products distributed primarily through computer retail stores.

Fifty-three percent of the \$1.6 million of business software sales went through computer specialty stores last year. By 1990 this percentage is expected to decrease to 20% of the estimated \$10.5 million microcomputer software sales.

As a microcomputer vendor, readers will learn from the results of 50 extensive dealer surveys analyzed for the enclosed study Microcomputer Software Dealer Survey how to increase the chances that dealers will stock your products. Dealer problems and product selection criteria are addressed as well as where they see the market going in terms of demand for future software products.

This report contains 85 pages, including 36 exhibits.



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# MICROCOMPUTER SOFTWARE DEALER SURVEY

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## I INTRODUCTION





## I INTRODUCTION

### A. PURPOSE AND SCOPE

- The purpose of this study is to analyze present and future microcomputer software distribution through dealers. The focus is primarily from the software publisher perspective; that is, for a person or company who has a software package and who wants to understand how better to distribute it through the dealer channels. However, changes in microcomputer software distribution are also addressed to assist the vendor in determining viable alternative distribution methods.

### B. REPORT METHODOLOGY

- For this report, 50 dealer interviews were conducted. The questionnaire is included in Appendix A. In addition, trade press literature and previous INPUT research were reviewed, along with a search done through INPUT's extensive vendor and industry files.
- The interviews were used to gather data, opinions, and plans for performing the analysis for this study. The interview technique included the use of many open-ended questions in an effort to provide INPUT clients with maximum information on the current thinking of involved participants.

- Prior to beginning the research, INPUT conducted interviews with numerous clients to solicit their thoughts on the details to be included in the research and the key issues to be examined.

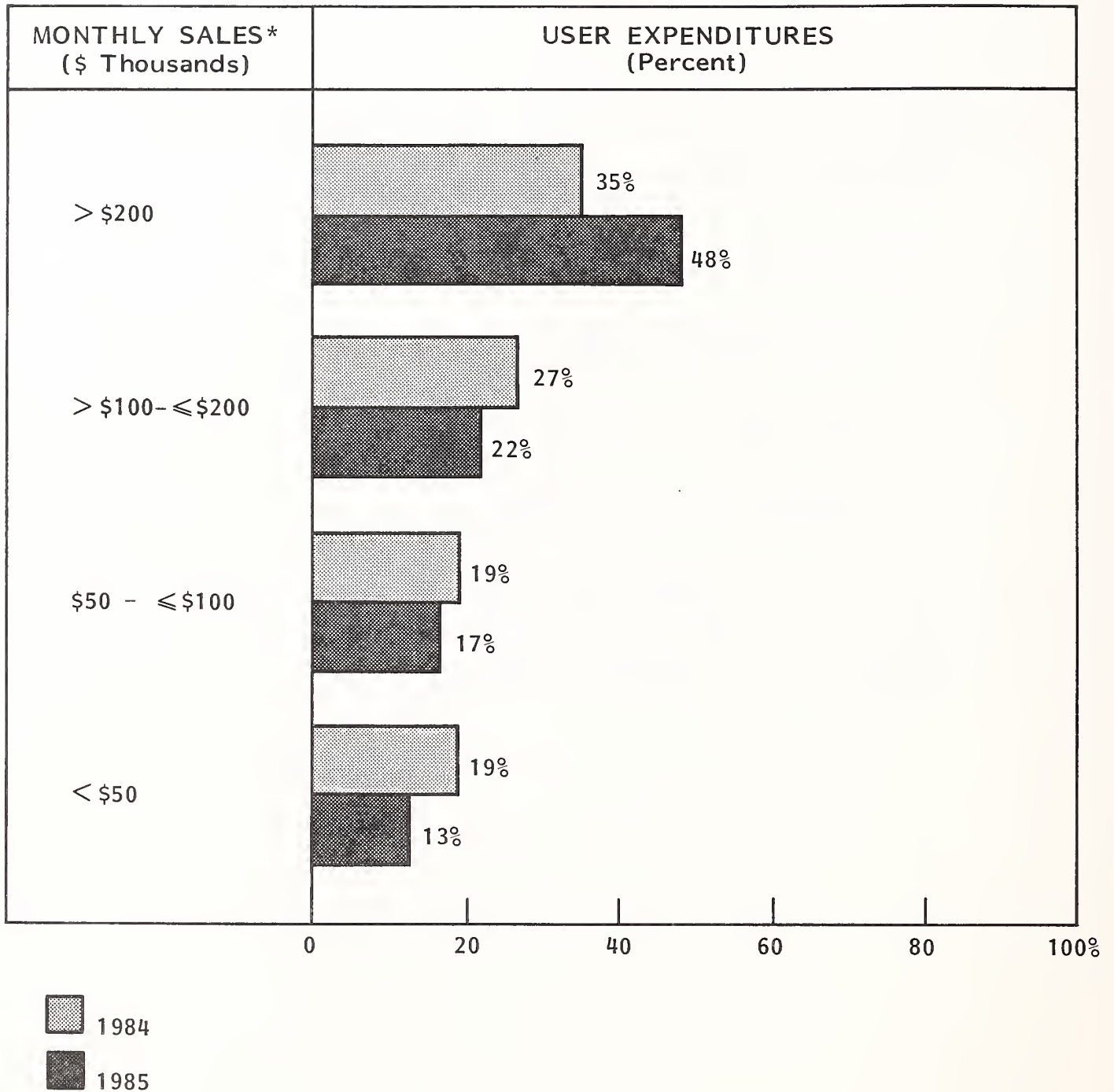
### C. RESPONDENT BACKGROUND

- Since there is no one general "computer software dealer," a variety of store types and outlets were interviewed. The segmentation is as follows:
  - Store type.
    - Computer specialty - 68%.
    - Value-added resellers (VAR) - 14%.
    - Office equipment dealers - 8%.
    - Other (e.g., software-only stores) - 6%.
    - Consumer electronic stores - 4%.
  - Type of outlet.
    - Independent - 53%.
    - Franchise - 36%.
    - Chain - 11%.

- Those interviewed also differed significantly in monthly sales. Exhibit I-1 segments the respondents by 1984 sales and 1985 projected sales.
- Since the largest percentage of respondents were from computer specialty stores (which is also where most business software is presently purchased), Exhibit I-2 presents computer specialty store user expenditures.
- Surprisingly, most dealers are expecting 1985 to be a year of increasing sales in spite of the fact that hardware and software margins are decreasing, product sales seem to be slowing, and many mergers and acquisitions are taking place in the dealer channels.
- Excluded from the survey were:
  - Mass merchandisers (Sears, Macy's).
  - Book stores.
  - Toy stores.
- Although these channels do sell business software, it is not a major source of their revenue. INPUT believes these channels will not be major business software distribution forces in the future.

# EXHIBIT I-1

## USER EXPENDITURE PROFILE OF SURVEY RESPONDENTS

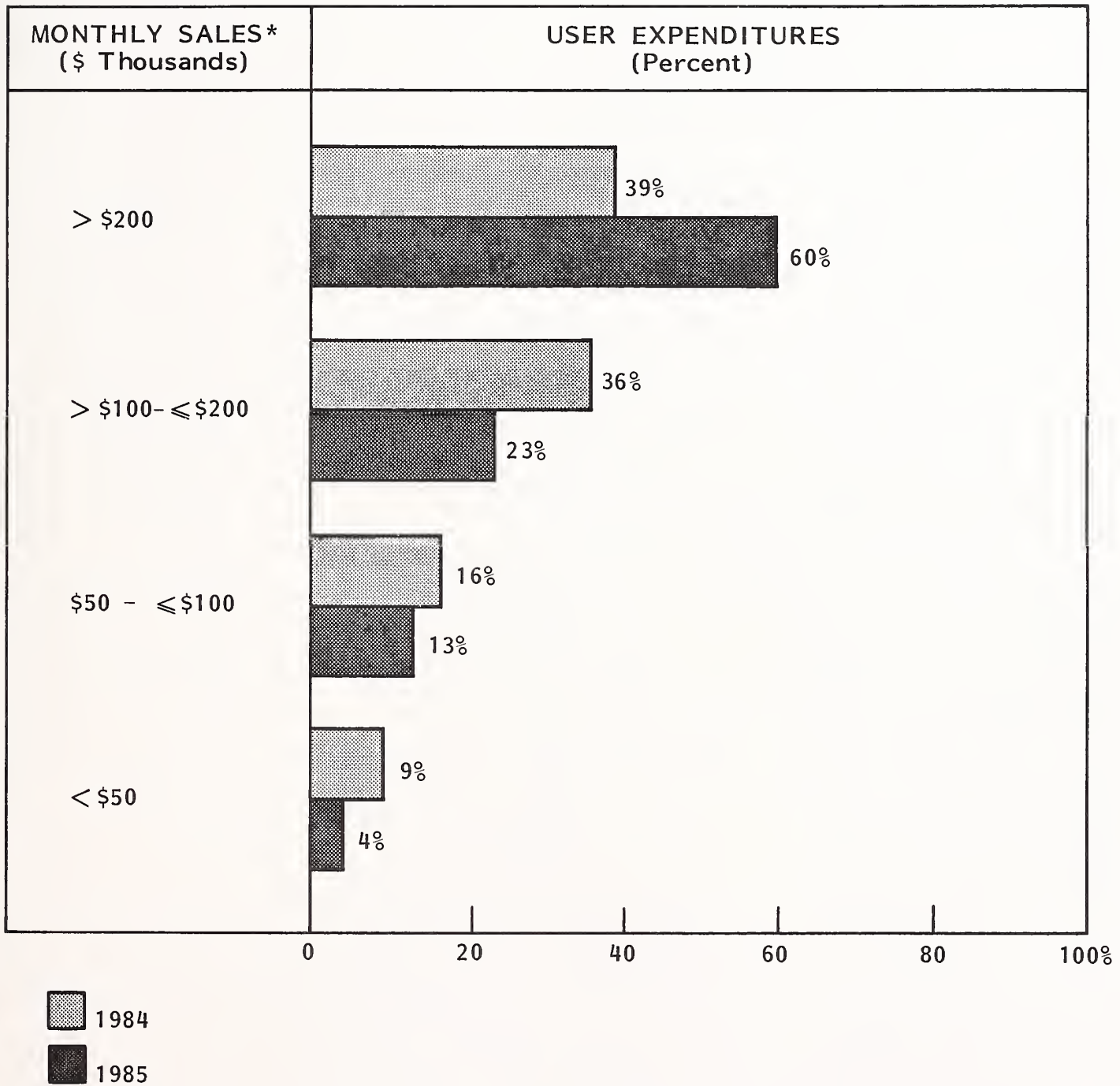


\*Sales of Hardware, Software, and Peripherals.



# EXHIBIT I-2

## USER EXPENDITURE PROFILE OF RESPONDING COMPUTER SPECIALTY STORES



\*Sales of Hardware, Software, and Peripherals.



## II EXECUTIVE SUMMARY





## II EXECUTIVE SUMMARY

- This executive summary is designed in a presentation format in order to:
  - Help the busy reader quickly review key research findings.
  - Provide an executive presentation and script that facilitates group communications.
- The key points of the entire report are summarized in Exhibits II-1 through II-5. On the left-hand page facing each exhibit is a script explaining the exhibit's contents.

## A. MICROCOMPUTER SOFTWARE SALES TO U.S. BUSINESSES

- The microcomputer software industry has grown up very quickly. Nowhere is this maturation more visible than in the way distribution of software has evolved. Even in the late 1970s, the industry was still a collection of entrepreneurs selling software in ziplock bags through mail order advertisements.
  - By 1982 the microcomputer software industry was already focusing on mass marketing, brand name identification, strategic positioning, and long-term goals.
  - By 1984 industry leaders were introducing new products with ad campaigns of millions of dollars. They strove to pull the customer through the doors of a wide variety of chain and independent computer stores, mass merchandisers, and other emerging distribution channels such as office equipment, book, and record stores.
- In 1984 over \$800 million in microcomputer software sales were sold through computer retail or specialty stores. In 1990, although sales through retail stores will continue to be significant (\$2.3 billion), they will be a much smaller percentage of overall microcomputer software sales. This will be due in large part to increased competition from other retail and non-retail channels, inadequate financing, poor management, and decreasing product margins.
- Exhibit II-1 summarizes INPUT's forecast of microcomputer sales by type of store from 1984 to 1990.

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# **MICROCOMPUTER SOFTWARE SALES TO U.S. BUSINESSES**

Type of Store	1984		1990	
	%	\$M	%	\$B
Computer Retail	53%	\$848	22%	2.3
Mail Order	20	320	40	4.2
VAR	10	160	20	2.1
Software Only	5	80	3	0.3
Direct	2	32	10	1.1
Other	10	160	5	0.5
<b>Total</b>	<b>100%</b>	<b>\$1.6B</b>	<b>100%</b>	<b>\$10.5B</b>

## B. MAIN COMPETITIVE THREATS PERCEIVED BY SOFTWARE DEALERS

- The dealer retail distribution channel is being attacked from all sides (direct vendor sales, mail order, IBM), as well as experiencing intense competition for sales existing within the channel itself (VARs, mass merchandisers, etc.).
- Interviewed dealers believe their main competitive threat comes from mail order houses. These firms have little overhead (showroom, sales staff, and demo products) as opposed to dealers. Consequently, they can afford to stock a huge warehouse of inventory and sell at prices much lower than dealers.
- With an increase in user sophistication, software pricing becomes a significant issue. As users become more self-reliant, they shop on price, demand site licensing, and evaluate competitive products.
- Mail order firms have begun to offer phone support to users--attacking the dealer's advantage of "product service and support." To counteract this competitive force, dealers must strive for repeat business from established customers by providing "preferred customer" service and computerized business solutions:
  - Solicitation for training courses.
  - Invitations to new product release seminars.
  - Upgrades of new releases of existing products.
  - Turnkey system solutions for vertical markets and cross-industry applications.
- Despite their many apparent advantages, INPUT believes that the software dealers will lose a significant market share to the software mail order firms (see Exhibit II-2).



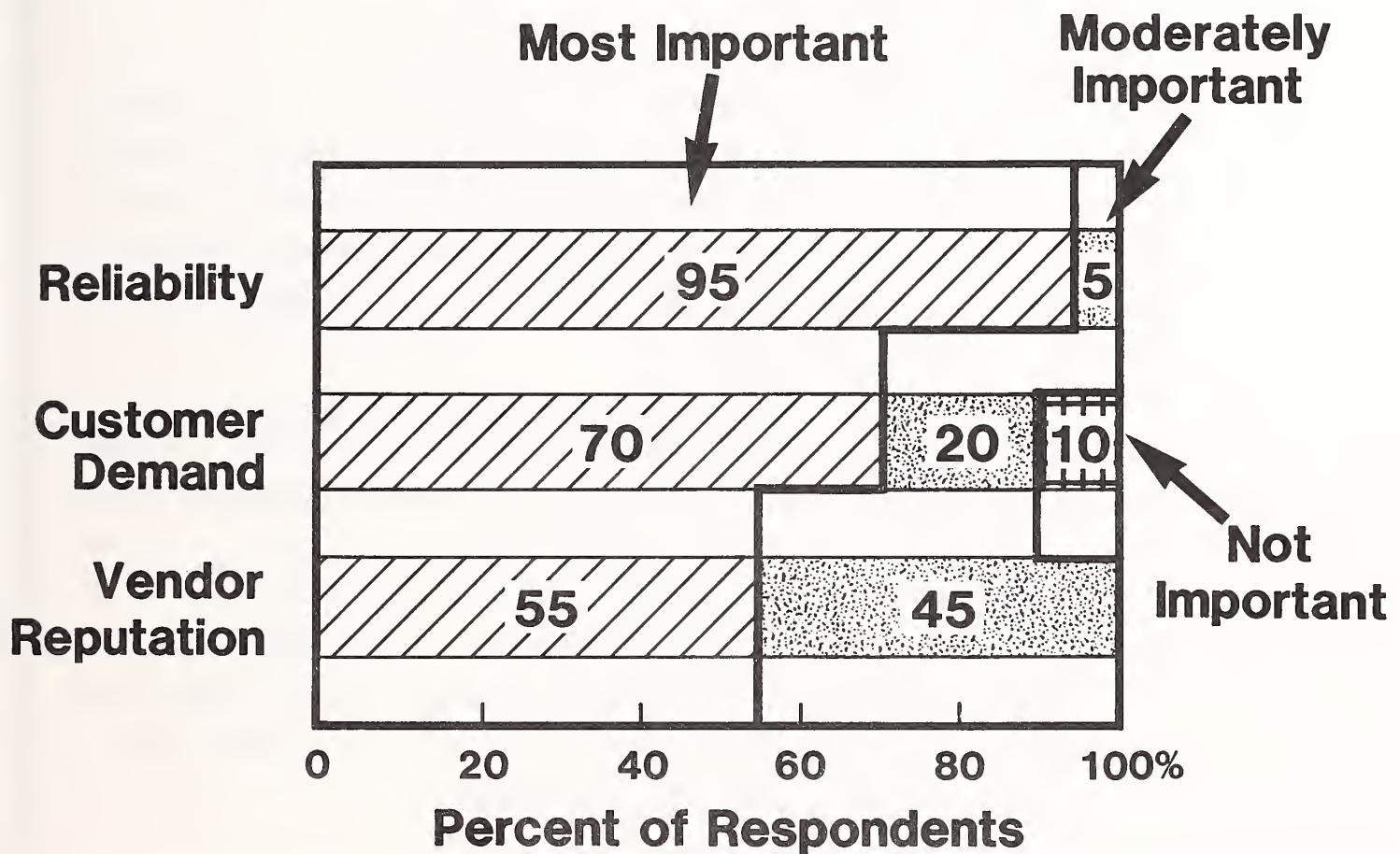
**MAIN COMPETITIVE THREATS  
PERCEIVED BY SOFTWARE DEALERS**

<b>Category</b>	<b>The Most Important</b>	<b>Very Important</b>	<b>Total</b>
<b>Mail Order</b>	<b>27%</b>	<b>23%</b>	<b>50%</b>
<b>VAR</b>	<b>17</b>	<b>18</b>	<b>35</b>
<b>Mass Merchandiser</b>	<b>10</b>	<b>16</b>	<b>26</b>

### C. MAJOR FACTORS IN DEALER PRODUCT SELECTION

- With the large variety of new and existing products to choose from and a limited amount of shelf space, dealers need some "criteria" for product selection.
  - Product reliability was the most important factor according to surveyed dealers. It stands to reason that if a user purchases a quality product that performs "as advertised," without "bugs," the dealer has a very good chance of repeat business.
  - Customer demand is another key selection factor. This reflects the irony that vendors wishing to be "stocked" by dealers need to first catch the public's (i.e., user's) attention. A classic success in stimulating customer demand prior to retail distribution is that of Borland Software of Scotts Valley (CA). The company's first product, "Turbo Pascal," was a quality product which sold for \$50 through mail order via magazine ads. Distributors and dealers originally were unwilling to carry the unknown product, but as user demand increased and Borland's sales exceeded \$10 million, major dealers and distributors both sought to carry the company's product line.
- It is, therefore, apparent that software reliability documentation and ease of use are just as much dealer requirements as they are end-user requirements. Exhibit II-3 highlights the more significant dealer product selection criteria.

## MAJOR FACTORS IN DEALER PRODUCT SELECTION



#### D. DEALERS SELLING TO VERTICAL MARKETS

- Vertical markets is a "buzzword" in the microcomputer industry that constantly attracts attention. Vertical markets are those businesses that have specialized procedures unique to their operation and that "off-the-shelf" computerized products cannot duplicate or therefore simplify (e.g., doctors, contractors, architects). To service vertical markets generally, specialized packages must be developed.
- Various types of dealers are seriously considering or are already providing vertical packages. This is traditionally the VARs area of expertise. Computer specialty stores and office equipment dealers are hoping to tap into the huge number of small businesses that could be computerized with vertical packages as a way of "nitch" marketing, hopefully decreasing the impact of direct sales and mail order competition.
  - The solutions are not as simple as dealers once believed. Packages vary so greatly that experts in vertical markets are needed to sell them.
  - Differing geographic and demographic areas provide differing vertical market opportunities (e.g., dealers in the Midwest may have better success targeting farming markets while urban dealers may want to target such professional markets as lawyers).
- Although respondents presently sell (or are planning to sell) to vertical markets, most are not sure which markets should be targeted. Should dealers haphazardly "throw resources" at unfocused markets, they will have little hope of success.
- Consequently, only those dealers that are willing to invest resources and time to develop a targeted, selective vertical market strategy will be successful. Exhibit II-4 shows the percentage of responding dealers by segment that sold to vertical markets in 1984.



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**DEALERS SELLING TO VERTICAL MARKETS, 1984**

<b>Type of Store</b>	<b>Percent of Total Respondents</b>
<b>Computer Specialty</b>	<b>35%</b>
<b>Office Equipment Dealer</b>	<b>50</b>
<b>Consumer Electronic VAR</b>	<b>0</b>
<b>Overall</b>	<b>49%</b>



## E. RECOMMENDATIONS

- A microcomputer software vendor has a higher probability of being stocked by a dealer if:
  - The product line is error free and easy to use, with good documentation.
  - Either via "word of mouth" or advertising, customer demand is created.
  - The company itself is known for responsiveness to users and dealers or for producing quality products.
- The two latter advantages are most often found in established market leaders and are difficult for lesser known software vendors to acquire. In such cases, perhaps other distribution channels such as mail order, bundling with hardware manufacturers, or selling through VARs would produce higher product sales.
- The LAN market is just beginning, but in a few years will mature to the point where new microcomputer LAN vendors will have difficulty entering the market. Established vendors should be developing LAN application versions for their most popular business packages for IBM's PC Net and perhaps one other LAN hardware product. Being one of the first products available can have an impact on dealer stocking of products as well as end-user purchase.
- Dealers value manufacturer support; providing dealers with training on your products so they can better explain and demonstrate to customers its functions and benefits will tend to increase the sale of your products.
- Exhibit II-5 lists the key factors that, when followed by vendors, can significantly increase their chances of being stocked by dealers as well as ultimately being sold to end users.

## **RECOMMENDATIONS**

- **Microsoftware Vendors**
    - **Emphasize Product Quality in Order to Create Demand for Your Products**
    - **Diversify Your Distribution Channels**
    - **Produce LAN Versions of Best-Selling Package**
    - **Train and Support Your Dealers**
-



**III MICROCOMPUTER SOFTWARE DISTRIBUTION  
PARTICIPANTS**





### III MICROCOMPUTER SOFTWARE DISTRIBUTION PARTICIPANTS

#### A. THE CHANNELS

- Currently, the principal sources of software are independent publishers, whose products are either developed internally or licensed. In most cases, distributors (Softsel, Software Distributors, Micro D) act as intermediaries to distribute the software to about 25,000 retail outlets, including:
  - Computer retail stores.
  - Consumer electronic stores.
  - Office equipment dealers.
  - Mass merchandisers.
- When a distributor is included as part of the distribution chain, the revenue from an end-user \$100 piece of software is divided as follows:
  - Vendor - \$40.
  - Distributor - \$20.
  - Retailer - \$40.

- Mail order and direct sales of software from vendor to corporate users are becoming stronger forces in the industry--both bypass the middleman. VARs and software-only stores are also increasing in distribution strength, again diminishing the distributor's role (see Exhibit III-1). Without the distributor link in the software distributor's chain, two things are possible:
  - The price of a piece of software could decrease and both vendor and retailer could still make a profit.
  - The price of software could remain constant and both vendor and retailer could make an even greater profit.
- Computer retail stores are defined as those stores that derive most of their revenues from computer products. Although some stores are specifically business oriented, most are designed to serve a broad cross section of consumer, business, and educational users. Computer retail stores fall into two broad classifications: those owned by computer manufacturers (e.g., Digital Equipment, IBM, or Xerox) and independent outlets. Most computer stores offer some sort of service and warranty.
- Consumer electronics stores often carry a wide range of consumer-oriented products. Radio Shack dealers provide the best example of this category. Stores in this group usually carry products with margins up to 50%. They are likely to have only minimal technical computer expertise and service capability.
- Office equipment dealers are well-established sellers to businesses of supplies and copiers and have been in business a relatively long time.
- Relatively few of the office equipment dealers carry computers, but those that do seem to be expanding their product coverage.

# EXHIBIT III-1

## MICROCOMPUTER SOFTWARE SALES TO U.S. BUSINESSES

TYPE OF STORE	1984		1990	
	PERCENT	\$ MILLIONS	PERCENT	\$ BILLIONS
Computer Retail Store	53%	\$848	22%	\$ 2.3
Mail Order	20	320	40	4.2
VAR	10	160	20	2.1
Software Only Stores	5	80	3	0.3
Direct	2	32	10	1.1
Other	10	160	5	0.5
Total	100%	\$ 1.6B	100%	\$ 10.5B

- There is good evidence that many of the older, more established dealers are becoming involved in computer software sales. By 1984, with education through trade groups like National Office Machine Dealers Association (NOMDA), the increasing simplicity of personal computers, and the natural market that these retailers are serving, microcomputers have grown in importance in this market. In 1984 the average software sales per dealer that carried computers was about \$20,000 per month.
- Hewlett-Packard, Xerox, and Osborne have strong sales in this segment. Office equipment dealers are tied closely with Hewlett-Packard because of the calculators HP has sold through these channels in the past and to Xerox through its copy systems, often supplied through these channels.
- A value-added reseller (VAR) buys products from manufacturers and puts them together for end users, usually offering a turnkey product for a select company or market (e.g., doctors or contractors). The term, however, is being used in a very broad sense, with about 4,500 PC resellers calling themselves VARs.
  - Although not included in this survey, mainframe software vendors distributing microcomputer software products by major microcomputer software vendors directly to their client base are considered VARs.
  - IBM is another VAR dealer, excluded from this survey, when direct sales forces sell independent vendor microcomputer software packages.
  - Both preceding VAR groups will be significant competitors to dealers in the future.
- OEMs (included in the "other" category of Exhibit III-1) are another type of dealer. This would include hardware vendors, such as Kaypro, who bundle a variety of well-known software packages by independent vendors with their microcomputer hardware. Mainframe vendors, such as Sperry, who sell

microcomputer hardware products directly along with independent micro-computer software vendors products are also included in this category.

## I. DEALER SOFTWARE SALES

- Of the total respondents, most reported less than 20% of their monthly sales from packaged software (see Exhibit III-2). This is not surprising since hardware and peripherals are, in general, higher priced ticket items.
- Of the VARs interviewed, however, over 40% receive more than 20% of their monthly sales from packaged software. A VAR system (solution) sale would include a software package--in most cases more sophisticated, higher priced software--whereas other retailers could sell hardware on a standalone basis or could sell lesser priced software.
- Sales from custom software were even lower (see Exhibit III-3). Over 75% of respondents do not provide any custom software while the remainder provide primarily small amounts. Again, the larger amounts of user expenditures on custom software went through VARs.
- INPUT believes that the percentage of custom software packages sold through retailers will increase over time, since retailers will need to add value and services to their product offerings to remain viable with increased competition from mail order and direct vendor software sales. Customizing software will be one way of doing this.

## 2. INDUSTRY SIZE

- Of the total respondents, the majority said they were keeping the same or increasing the number of products they carried (see Exhibit III-4). This seems contradictory to the overall industry perception that there are significant hardware and software leaders and that all other vendors will not supply adequate sales to justify shelf space.

EXHIBIT III-2

USER EXPENDITURES OF PACKAGED SOFTWARE

PERCENT OF DEALER SOFTWARE SALES	PERCENT OF DEALERS
40%	6%
21 - 40%	24
11 - 20%	28
0 - 10%	42
Total	100%



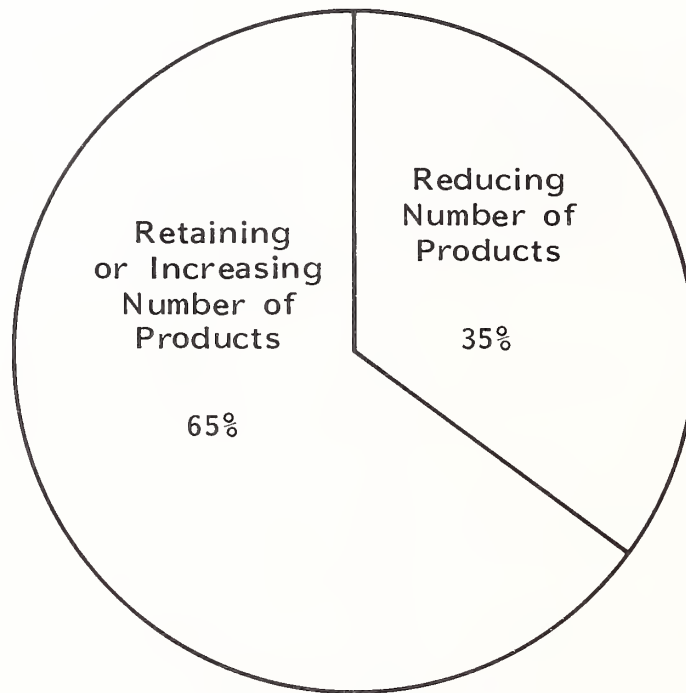
# EXHIBIT III-3

## USER EXPENDITURES OF CUSTOM SOFTWARE

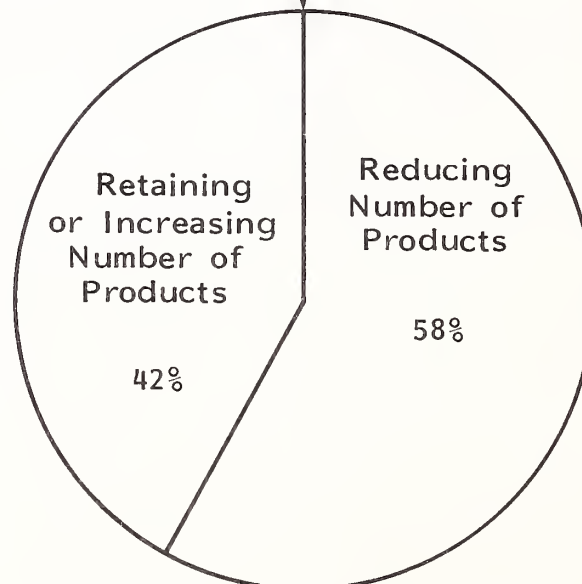
PERCENT OF DEALER SOFTWARE SALES	PERCENT OF DEALERS
40%	10%
21 - 40%	2
11 - 40%	2
0 - 10%	86
Total	100%

EXHIBIT III-4

MICROCOMPUTER SOFTWARE DEALERS  
DROPPING PRODUCTS IN 1985



Total Respondents



Computer Specialty Stores

- When only computer specialty stores are viewed, this premise seems true--most dealers are reducing the number of products.
- It is software-only stores and VARs that primarily plan to increase product offerings in 1985. Software-only stores will want to have available packages users demand, perhaps packages unavailable from computer specialty stores due to stocking limitations. VARs will want to provide newer solutions to help customers expand, perhaps more sophisticated accounting modules for a customer with a payroll micro-computer system.
- Lesser known software vendors will want to look to these channels for distribution (VARs, software-only stores) rather than to specialty stores that are "locked in" to market leaders.

### 3. CHANGES IN BEST-SELLING SOFTWARE

- Vendors were asked "Will your best-selling software package change from 1984-1985?" The largest change reported by dealers is expected in the word processing category, the least change in spreadsheets (see Exhibit III-5).
- Those who purchase word processing packages from dealers have varying needs and degrees of sophistications--some just need to write memos, others documents. Consequently, dealers carry several word processing packages.
  - Micropro's Wordstar was originally the one and only word processing package. It sold by name alone for the past several years.
  - Competitors with good quality, much simpler packages have begun to be noticed by the public, and Wordstar's market share has definitely slipped.

# EXHIBIT III-5

## BEST-SELLING SOFTWARE PRODUCTS BY APPLICATION

APPLICATION	BEST SELLING PRODUCT WILL CHANGE IN 1985	ANALYSIS
Word Processing	36%	<p>The market is still "up for grabs" among the top 4-5 leaders.</p> <ul style="list-style-type: none"> <li>- Multimate</li> <li>- Wordstar</li> <li>- PFS Write</li> <li>- Lifetree</li> <li>- Microsoft Word</li> </ul>
Database	29%	<p>Although Ashton Tate dBase was the undisputed leader, other vendors such as Microrim are increasing market shares.</p>
Accounting	23%	<p>No real market leader-pressure from small businesses greatly affects what dealers stock.</p>
Language	23%	<p>Not a very "hot" market - Borland Turbo Pascal the best seller presently.</p>
Spreadsheet	13%	<p>Lotus 1-2-3 is established market leader.</p>

- For those dealers having large Apple Macintosh sales, only a few of the major word processing packages are available. Microsoft Word would be the present top seller for that product.
- The category with the least change in popularity for dealers is spreadsheets. Lotus 1-2-3 is the undisputed leader. In late 1985 those dealers with high Macintosh sales may have a change from Lotus to Microsoft as spreadsheet leader. Microsoft's Excel is expected to be an excellent "super spreadsheet," even outdoing the expected Lotus "Jazz."
- In general, the microcomputer software market, according to dealers' best sellers, is becoming increasingly established and, consequently, more difficult for new vendors to enter.

#### 4. RELATIONSHIP WITH MANUFACTURER

- Survey respondents believe that manufacturers support their products. Dealers do feel, however, that vendors are more responsive to the dealers themselves than to end users (see Exhibit III-6).
- The results of a survey recently conducted by INPUT's computer services and peripherals group on User Requirements--Office Products tend to confirm that users are generally satisfied with the support they receive from manufacturers. Exhibit III-7 (taken from that report) highlights that users even perceive vendor support to be improving.

#### 5. TRADE SHOW ATTENDANCE

- Most interviewed dealers did attend trade shows, but few attended more than COMDEX Fall in Las Vegas (see Exhibit III-8). Almost 25% said they did not attend any trade show.

EXHIBIT III-6

DO MANUFACTURERS STAND BEHIND THEIR PRODUCT(S)?

General Perceptions

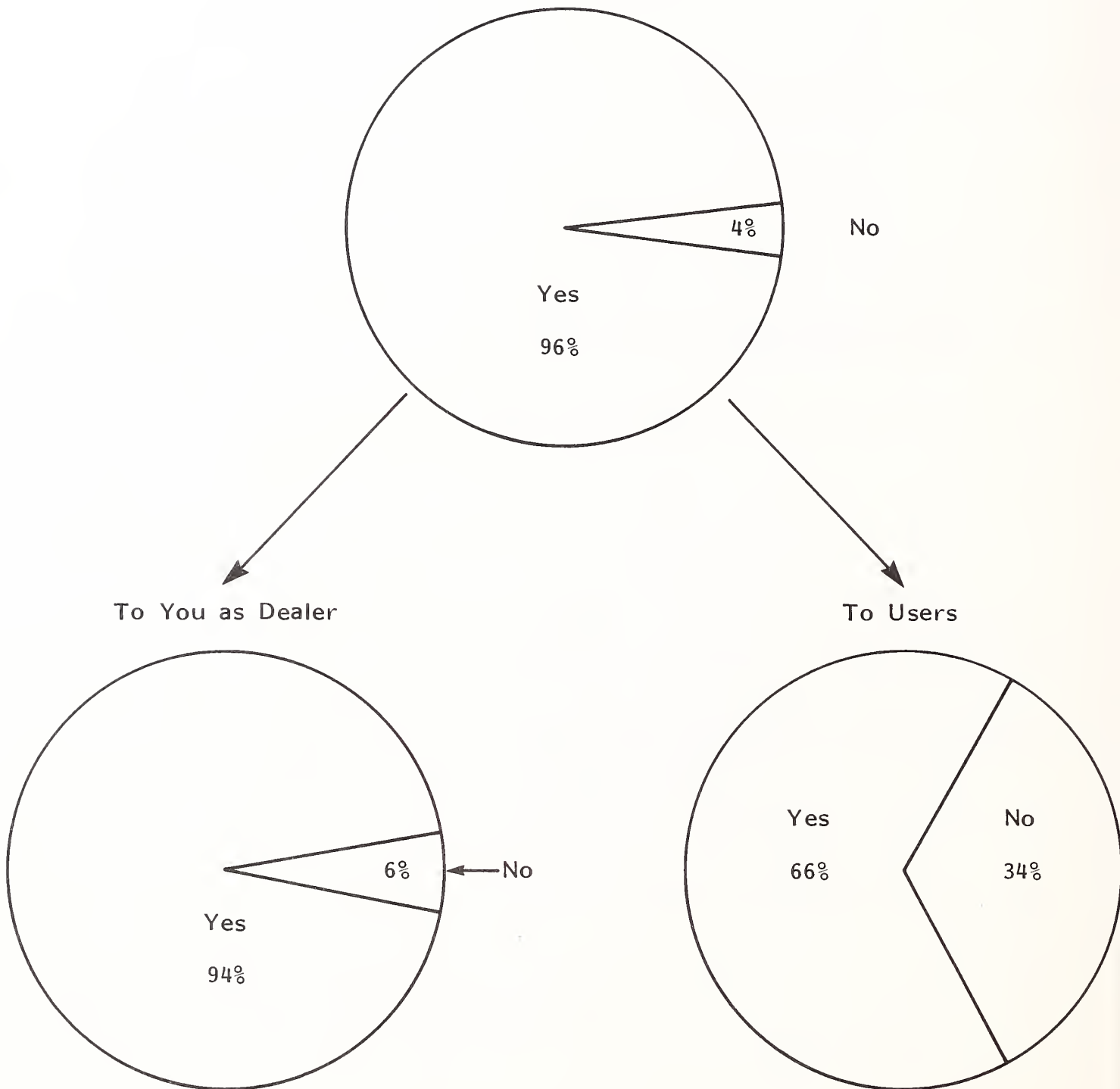
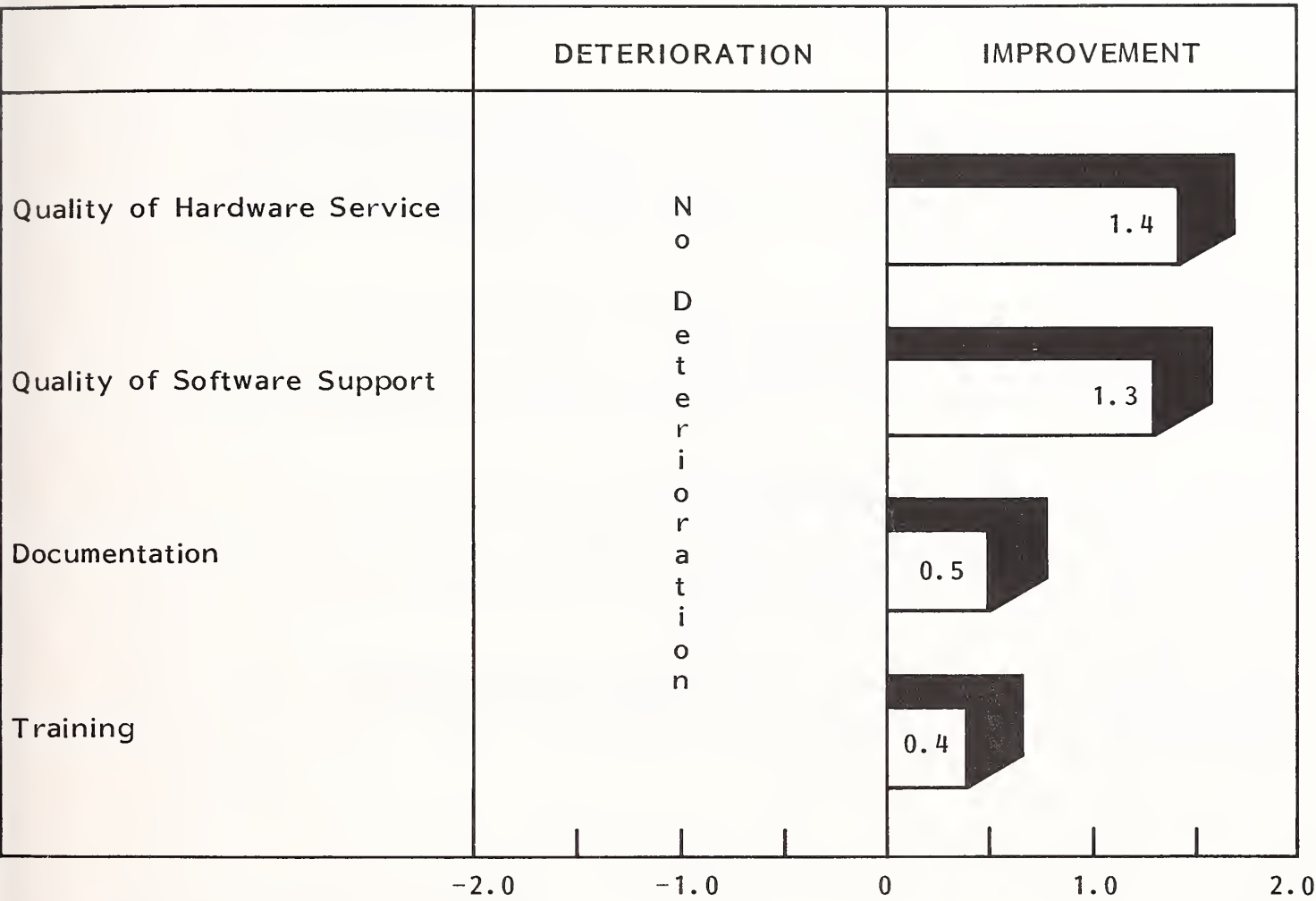




EXHIBIT III-7

MICROCOMPUTER VENDOR PERFORMANCE IMPROVING



# EXHIBIT III-8

## DEALER ATTENDANCE OF COMPUTER SHOWS

PERCENT	DEALER
57%	Comdex
22	Others: Softcon Local Shows NCC Trade Association Shows
21	None

- Software vendors would do best to exhibit (if at all) only at COMDEX Fall and spend ad money in other ways. Since a booth at COMDEX can cost upwards of \$50,000 and in many cases dealers and distributors spend more time at receptions than on the show floor, perhaps even COMDEX should be bypassed.

## 6. PUBLICATIONS

- Computer dealers, in general, spend long hard hours on their businesses. They have few spare moments for reading to "stay abreast" of the industry and are therefore very selective of their material.
  - Although there are over 100 computer-related publications, dealers surveyed overwhelmingly chose the top two of importance to them-- Computer Retail News and Computer Software News (see Exhibit III-9).
  - There were significant second and third choices that were more periodicals dealing with the computer industry as a whole, not just from a dealer perspective (as do the two top choices).
- Vendors wanting to advertise to "catch the dealers' attention" had best concentrate on ads in Computer Retail News and/or Computer Software News.

## B. PRODUCT SELECTION

### I. DEALERS

- With the variety of new and existing products to choose from and a limited amount of shelf space, a dealer needs some "criteria" for product selection. Product reliability was the most important factor for surveyed dealers (see Exhibit III-10). If a user purchases a quality product that does what it is

## EXHIBIT III-9

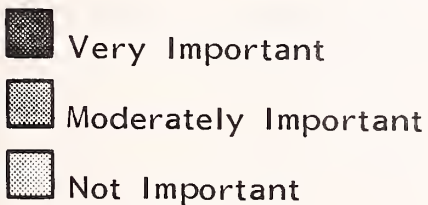
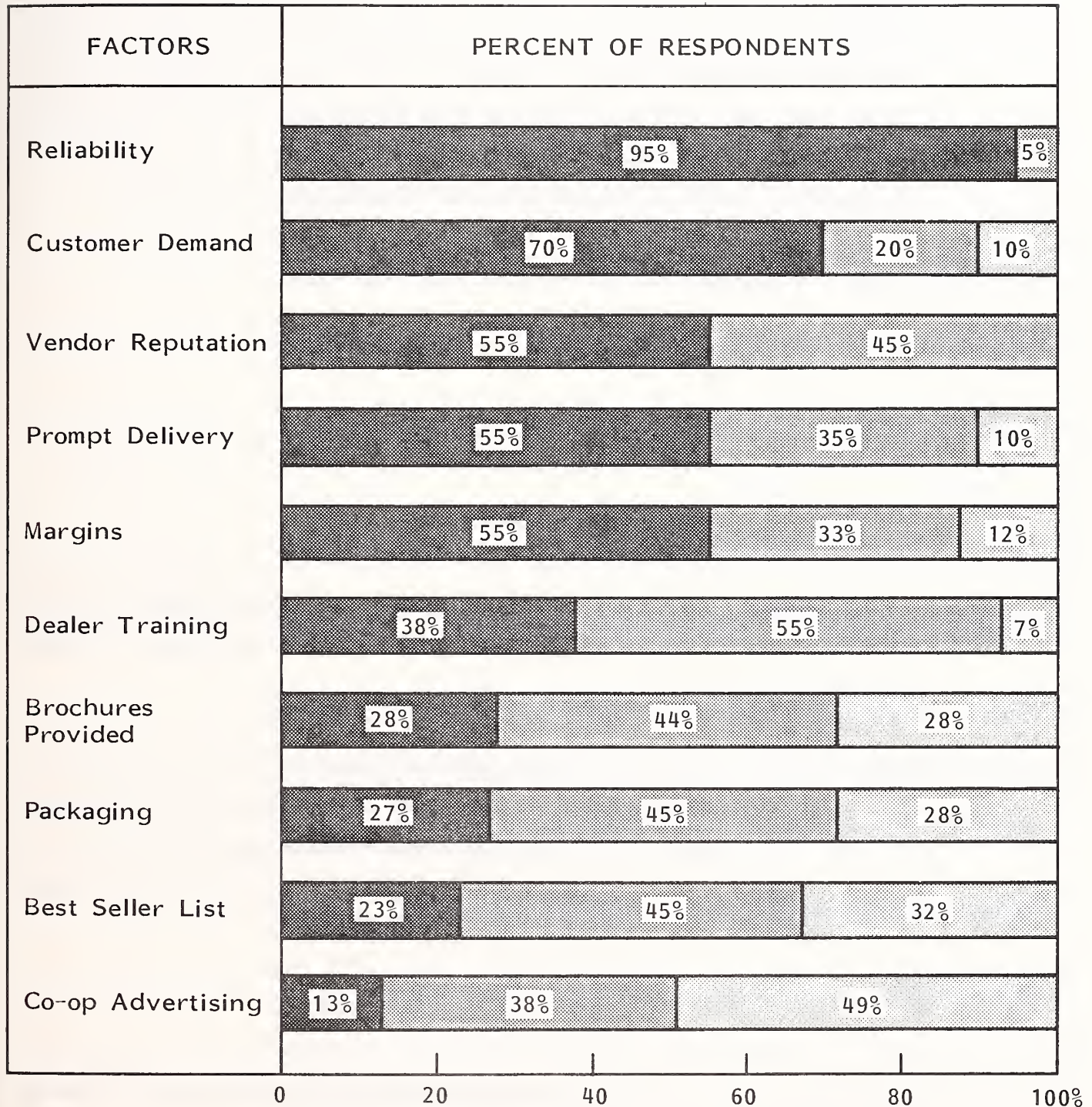
### TRADE PUBLICATIONS READ (Listed by Most Popular to Least Popular)

#1	<ul style="list-style-type: none"><li>● Computer Retail News</li><li>● Computer Software News</li></ul>
#2	<ul style="list-style-type: none"><li>● Computer Retailing</li><li>● Computer Systems News</li></ul>
#3	<ul style="list-style-type: none"><li>● Byte</li><li>● PC Week</li><li>● Infoworld</li></ul>



# EXHIBIT III-10

## TOP TEN FACTORS IN PRODUCT SELECTION BY DEALERS



advertised to do without "bugs," the dealer has a very good chance of repeat business.

- Customer demand is another key selection factor. This reflects the irony that vendors wishing to be "stocked" by dealers need to first catch the public (i.e., users attention). A significant case in point is Borland Software in Scotts Valley (CA), which sold its "Turbo Pascal" for \$50 through mail order with ads in magazines. Distributors and dealers originally would not carry the unknown product, but as user demand increased and Borland's sales exceeded \$10 million, dealers and distributors both came knocking on Borland's door.
- The least three important dealer selection factors were:
  - Reviews in magazines.
  - Trade publication ads.
  - Providing point-of-sale display.
- Although magazine reviews may not be important to dealers, they do significantly stimulate end-user demand which, in turn, stimulates dealer product selection (see factor #2).
- Vendors should concentrate more on providing dealers with better margins and training rather than store "things" such as brochures, point-of-sale displays, and co-op advertising. Dealer training helps salespeople better serve end users and, hopefully, thereby increase sales. Better margins also add to direct dealer profits.

## 2. USERS

- Name recognition was the most important factor in user selection of products, according to dealers. This again reinforces the maturity of the micro-



computer software industry, where leading vendors will maintain or increase market share and lesser knowns will drop by the wayside (see Exhibit III-11).

- Vendor advertising, more so in magazines than on TV, influences user purchases. Vendors wishing to stimulate user demand should advertise in papers and magazines business users most likely read (e.g., Business Week, The Wall Street Journal) rather than in dealer journals that, according to Section B-1, have little significance in dealer product selection.
- "Dealer salesmanship" was mentioned quite often by respondents in an open-ended question regarding user purchase. Due to market sophistication, salespeople must now know how to sell a product rather than just "take orders" as in the near past.

### C. PRODUCT TRENDS

- Respondents were asked, "What type of new software products do you see as being popular in the near future?" The largest response was for integrated packages (e.g., Framework, GEM), as shown in Exhibit III-12.
  - Sales of integrated software during its short year lifetime have been less than spectacular. Excluding Lotus 1-2-3, which some call an integrated package, the three best selling packages in this category in 1984 were:
    - Symphony - 100,000 units.
    - Appleworks - 50,000 units.
    - Framework - 45,000 units.

## EXHIBIT III-11

### FACTORS INFLUENCING USER PURCHASE

FACTOR	YES
Name Recognition	58%
Manufacturer TV or Magazine Advertising	34
Point-of-Sale Displays	16
Store Advertising	12

Other Comments: "Easy-to-Use Functions"

"Word-of-Mouth"

"Dealer Salesmanship"

## EXHIBIT III-12

### POPULAR SOFTWARE PACKAGES IN THE FUTURE

- Integrated Packages
- LAN
- Communication Software
- Verticals

- Changes are taking place in the integrated market, however, as easy-to-use features and graphics-oriented interfaces tend to increase user acceptance and increase sales.
- For a complete analysis of integrated software, see INPUT's study, New Generation of Integrated Software.
- Although LAN hardware and software has been available for a number of years, two major factors seem to be increasing user and dealer interest:
  - IBM announced PC Net to be delivered in 1985; Apple introduced the Mac Office with networking.
  - In 1984 almost six million microcomputers were in use in business. By sharing resources and software by networking, users can become even more productive and computing costs can be lessened.
  - See Chapter IV-D for more information on LANs.
- Another two popular packages often mentioned by dealers were communications software and verticals.
  - Communications software and the use of modems to access on-line data bases is becoming a more common business as well as personal computer user practice. As modem and communications software prices continue to decrease while user computing sophistication increases this method of information gathering will dramatically grow.
  - Vertical packages are discussed in Section IV-C.

**IV INDUSTRY ISSUES AND TRENDS AFFECTING  
DEALERS**





#### IV INDUSTRY ISSUES AND TRENDS AFFECTING DEALERS

- There is a slowdown in the microcomputer software industry. Hardware margins are decreasing. End users are becoming more sophisticated and, in many cases, shopping on price, which means purchasing mail order hardware and software products as opposed to retailer stock. Many mergers and acquisitions are occurring in the dealer channel, and the opening of new franchises by many large chains has greatly slowed.
  - To counter this, dealers are forming associations, such as The Association of Better Computer Dealers, to support each other and hopefully increase sales and profits.
  - Dealers are branching out into providing value-added services such as training, support, and program customization as ways to retain and/or increase their customer base.
- Although there are many factors and issues affecting microcomputer software dealers today, INPUT, with client assistance, chose the following eight to discuss with respondents.
  - Outside sales forces.
  - Service and support.
  - Vertical markets.

- LANs.
- IBM's kiosk program.
- Electronic distribution of software.
- Vendor conflicts.
- Competition.
- Other significant distribution issues such as site licensing, removing product copy protection programs, the effect of centralized corporate purchasing and connectivity, and network standards are analyzed in INPUT's Selling Micro-computer Software to Corporate America.

#### A. OUTSIDE SALES FORCE

- Of the respondents, over 50% had three or less internal salespeople (see Exhibit IV-1). This number directly correlated with monthly average sales in that, generally, the larger the monthly sales, the larger the number of salespeople.
- Although almost 40% of respondents had no external sales force (primarily for direct corporate sales), almost all of them were considering some type of outside sales whether as part of their own sales force or as a joint arrangement with already established representatives.
  - Thirty percent of respondents had a separate sales force for Fortune 1000 sales. The industry perception is that large corporate accounts are the best source of hardware and software sales.

# EXHIBIT IV-1

## AVERAGE DEALER SALES FORCE PROFILE

SALESFORCE	PERCENT	NUMBER OF PEOPLE
Internal	38%	2
	54	3 - 5
	8	5
Outside	50%	0 - 1
	34	2 - 4
	16	4

Separate Salesforce for Fortune 1000 - 30% Yes.

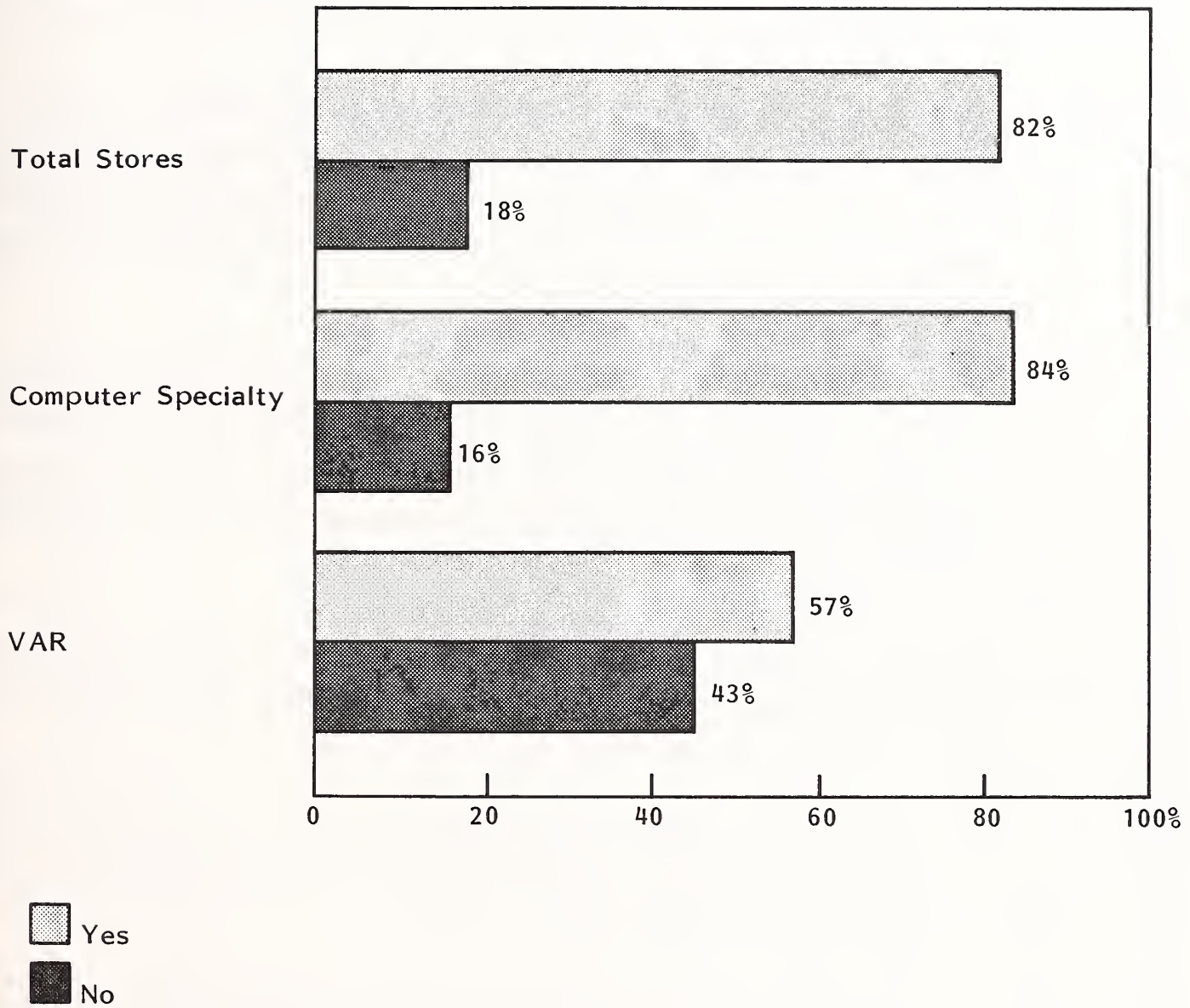
- . This may be the case, but in many instances corporate micro-computer managers are buying mail order. They don't need any other value a dealer could provide and just want a low product cost.
  - . Direct sales or site licensing of software from vendors also will decrease dealers' Fortune 1000 penetration potential.
  - . In analysis of the Fortune 1000, only about one-sixth of all business microcomputers are installed there. INPUT believes, consequently, that dealers should focus on businesses other than Fortune 1000 for sales from either internal or external sales forces.
- Of the 16% of respondents with outside sales forces of more than four people, the majority were VARs who generally do not have storefronts but make their sales with direct end-user sales calls.

## B. SERVICE AND SUPPORT

- One of the major ways the microcomputer software dealers can differentiate from other competitive forces is by providing extra services to end users (e.g., service support, training, program customization, consulting).
  - The vast majority of respondents said they provide post-sales support including hardware and software maintenance and professional services such as consulting, planning, and training (see Exhibit IV-2).
- Surprisingly, a lesser percentage of VAR respondents said they provided post-sales support. Since most VARs customize or sell turnkey

## EXHIBIT IV-2

### "POST-SALES" SUPPORT





products, these products would tend to need more support than generic products. An explanation may be that VARs consider the training and support as part of the original system price and, therefore, not a post-sale activity.

- Specific software support was said to be provided by almost 70% of the respondents.
- INPUT's User Service Requirements--Office Products research presents a slightly different perspective on end-user service--specifically for hardware products. Users reported that, in general, a slightly larger amount of maintenance was performed by manufacturers versus dealers (see Exhibit IV-3). This ratio greatly differs by hardware product.
- This is not, however, inconsistent with the dealers response since they were asked, "Do you provide after-sales support," but not specifically the degree to which they service products. With Apple, Compaq, and IBM, the primary hardware products carried by dealers surveyed (see Exhibit IV-3), most maintenance is supplied by dealers/distributors.
- Over 51% of respondents provide software program customization (see Exhibit IV-4). Some dealers have people in-house to perform these activities; others have outside consultants on retainer.
  - This type of end-user support can be very profitable, but it takes very skilled programmers in select market areas to "fine tune" programs to specialized business needs.
  - A custom program that has "bugs" or leaves out specific functions that, for example, a contractor may need, will do more to limit future repeat sales than the sale of an unadapted generic package.



## EXHIBIT IV-3

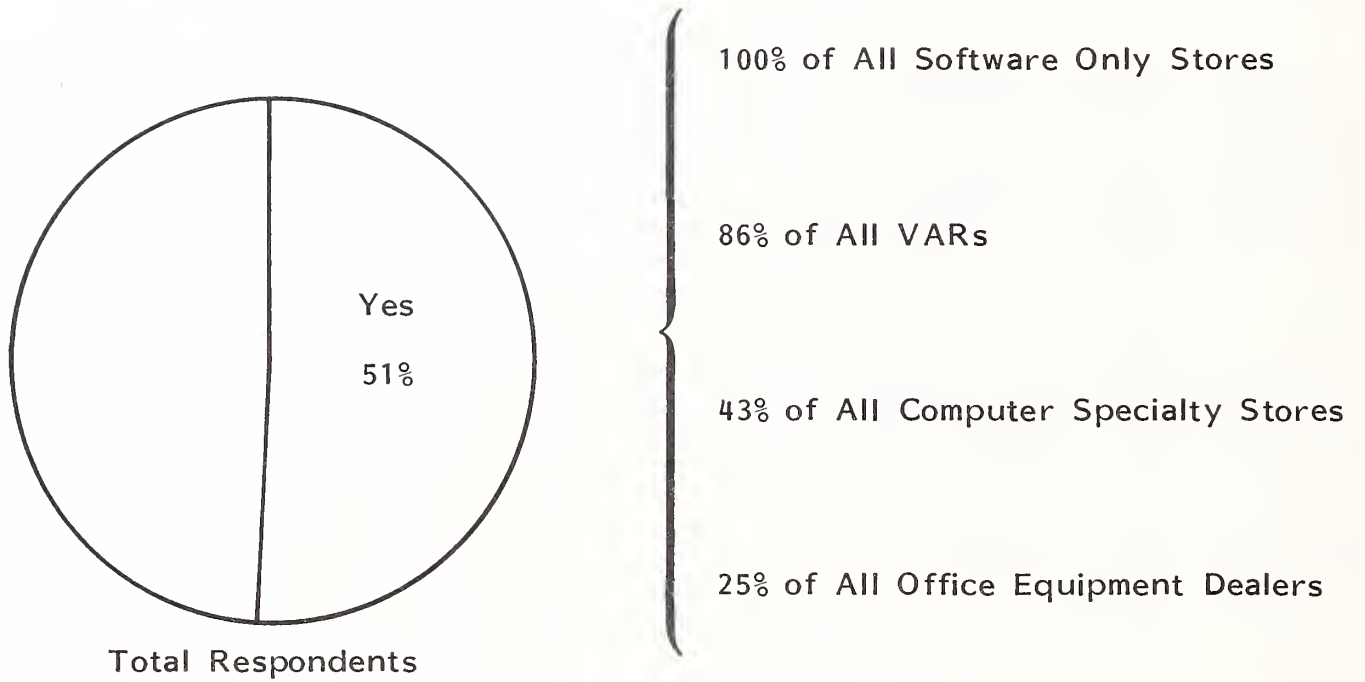
## 1985 MICROCOMPUTER SAMPLE BY PRIMARY SOURCE OF MAINTENANCE

VENDOR	PRIMARY SOURCE OF MAINTENANCE			
	Manufacturer	Dealer/Distributor/Retailer	TPM*	Self
All	43.7	37.8	3.6	14.9
AT&T	90.0	10.0	0.0	0.0
Apple	4.3	67.2	3.9	24.6
Compaq	0.0	83.3	0.0	16.7
DEC	84.6	0.0	0.0	15.4
Hewlett-Packard	92.9	7.1	0.0	0.0
IBM	25.5	47.3	10.9	16.3
Tandy	94.7	0.0	0.0	5.3
Other	100.0	0.0	0.0	0.0

\* TPM - Third-Party Maintenance Organization

EXHIBIT IV-4

DEALERS WHO PROVIDE PROGRAM CUSTOMIZATION



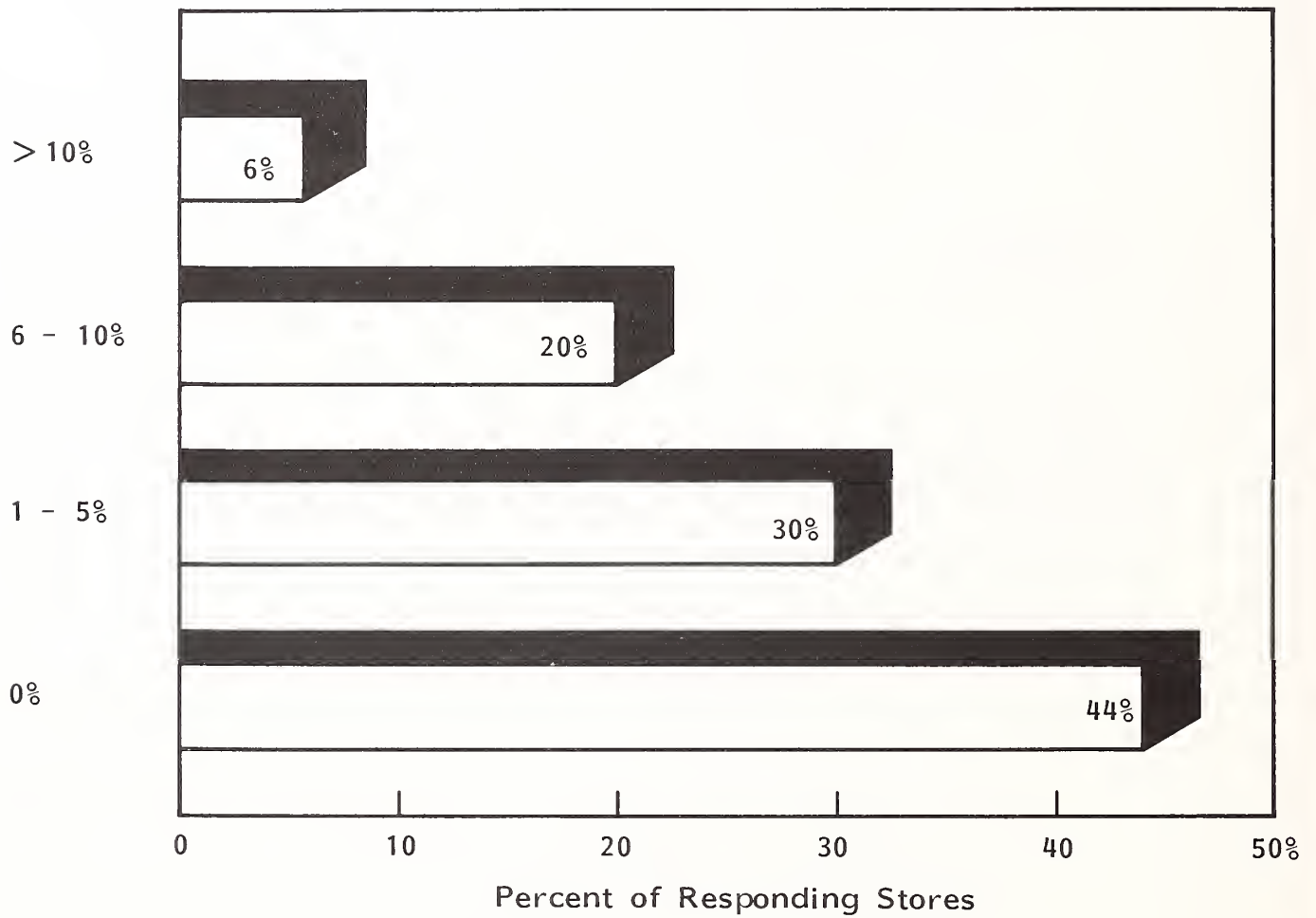
- Training and education to end users is a value-added program that most larger independents and chains are adopting to increase revenue and stimulate repeat sales (see Exhibit IV-5).
- Most respondents receive between 1% and 10% of their store sales from training and education. Respondents, however, expect these sales percentages to increase in 1985 and 1986.
- Restricting sales growth for dealers in this area are corporate departments and training programs for users established by information service departments.

### C. VERTICALS

- Vertical markets is a "buzzword" in the microcomputer industry that constantly attracts attention. Vertical markets are those businesses that have specialized and unique business procedures that "off-the-shelf" computerized products cannot duplicate and therefore simplify (e.g., doctors, lawyers, contractors, architects). To service vertical markets, specialized packages must be developed. Sometimes a generic software package can be used as a basis with templates, but in most cases, a whole new package must be written.
- Dealers are seriously considering or already providing vertical packages (see Exhibit IV-6). This is the VARs' area of expertise--computer specialty stores and office equipment dealers are hoping to tap into the huge number of small businesses that could be computerized with vertical packages.
- . The solutions are not as simple as dealers once believed. Packages vary so greatly that experts in vertical markets are needed to sell them.

EXHIBIT IV-5

RESPONDENTS PROVIDING TRAINING AND EDUCATION TO END USERS  
(Percent of Store Sales)



# EXHIBIT IV-6

## PERCENT OF DEALERS SELLING TO VERTICAL MARKETS, 1984

TYPE OF STORE	YES	NO
Computer Specialty Stores	35%	65%
Office Equipment Dealers	50	50
Consumer Electronic Stores	-	100
VAR	100	-
Overall	49%	51%

- . Differing geographic areas provide differing vertical market opportunities (e.g., dealers in the Midwest may have better success targeting farming markets while urban dealers may want to target professional markets such as lawyers).
- Although respondents presently sell or are planning to sell to vertical markets, most are not sure which markets they should target. Should dealers haphazardly "throw resources" at unfocused markets, they will have little hope of success. Potential vertical markets must be researched extensively by dealers prior to plunging into retail sales.
- Exhibit IV-7 lists the top four vertical markets of interest to respondents. But again, not one of the markets had more than five responses, leaving the observer to conclude dealers are still unsure about which vertical markets to tap and are treading cautiously.

#### D. LOCAL AREA NETWORKS (LAN)

- Ever since IBM announced its PC Net would to be available in 1985, the industry has been assessing the value of LANs. LANs are specialized hardware and software means of linking microcomputers in offices for sharing files or expensive peripherals.
- One questions the viability of selling LANs through retail channels.
- . Large corporations with IS departments are accustomed to purchasing office automation equipment directly from vendors. Will they be willing to make the effort of going to retailers for LAN products?



## EXHIBIT IV-7

### VERTICAL MARKETS OF HIGHEST IMPORTANCE TO RESPONDENTS

- Construction
- Accounting
- Engineering
- Real Estate

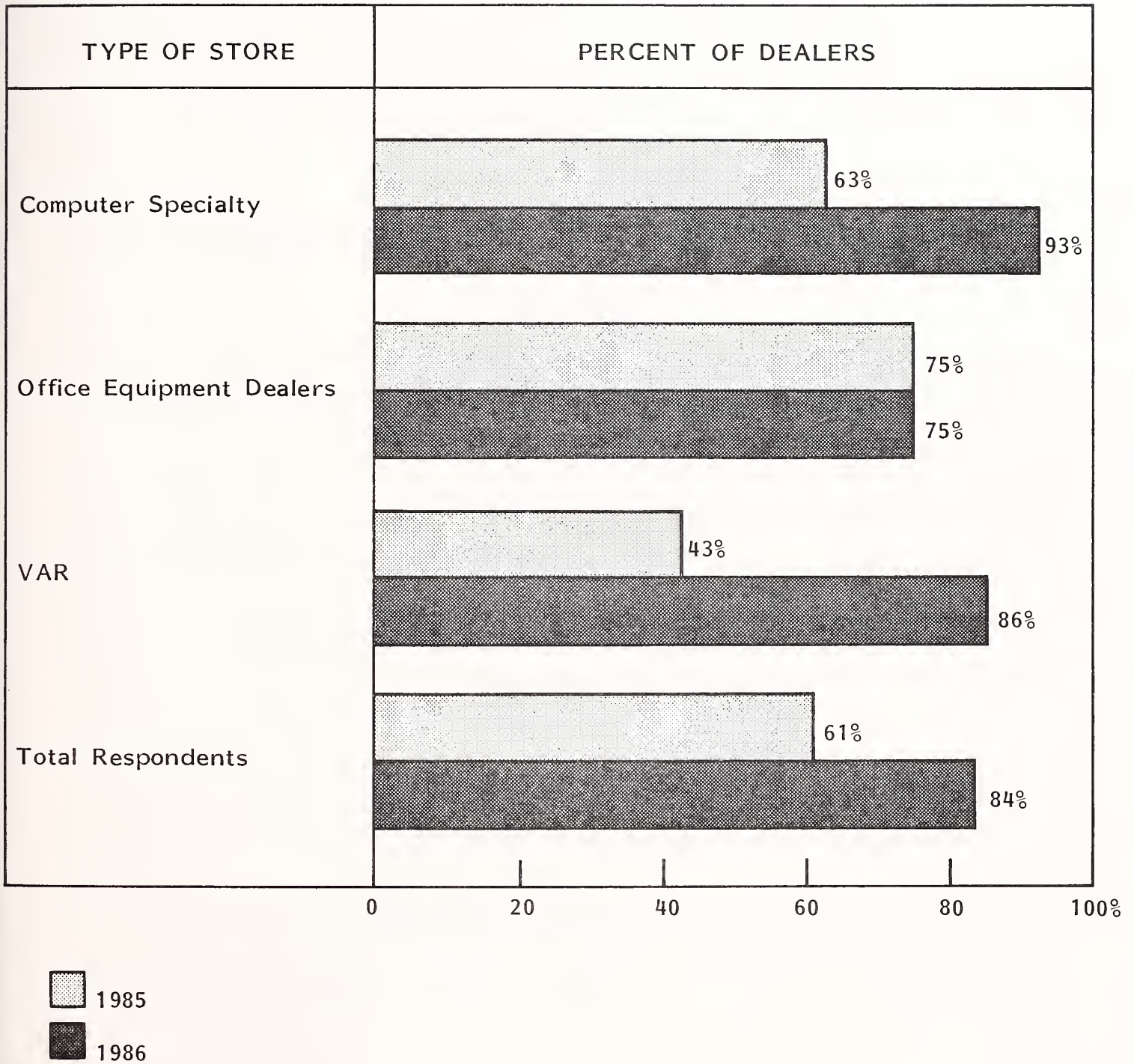
- Smaller businesses seem the more viable LAN purchasers through retailers, but with few smaller businesses and retailers understanding LAN products (a wide variety with varying capabilities), large sales of LANs in 1985 and 1986 seem doubtful.
  - The service and support issue with LANs sold through retailers also comes into question. Who is responsible--LAN hardware vendor, LAN software vendor, or retailer--should a system fail?
- In spite of all the considerations, most respondents are carrying LAN products in 1985, with an even greater number carrying them in 1986 (see Exhibit IV-8).
- INPUT believes that in late 1986 many of the aforementioned considerations will be stabilized and LANs should be viable computer products sold through larger, more sophisticated dealers. Until that time, they will bring both dealers and users great frustration.

#### E. IBM's KIOSK PROGRAM

- In late 1984 IBM offered its dealers a new type of sales program. The company would place in dealerships an IBM kiosk or display with IBM software at no charge to dealers. Dealers would pay for the software when sales were made, not for inventory.
  - Most dealers approached were pleased with the program. Some comments appear in Exhibit IV-9.
  - Most non-IBM dealers, however, felt the program was threatening and a way for IBM to monopolize the microcomputer software market.

# EXHIBIT IV-8

## PERCENT OF DEALERS SELLING LANS CURRENTLY AND IN 1986



## EXHIBIT IV-9

### WHY PARTICIPATE IN IBM'S KIOSK PROGRAM?

- "Free Ride"
- "It Doesn't Hurt Us"
- "Sell More Software"
- "Because They're IBM"
- "Lets Me Display Products Without Paying for Them"

- Microcomputer software vendors felt that IBM was limiting other vendors' potential shelf space and, therefore, competing unfairly.
- Sales of kiosk software, however, have been moderate, according to participating dealers. Again, since user software demand is based in large part on name recognition, dealers (salespeople) are selling the products demanded. Very few have IBM's logo on the package.
- IBM is, however, a competitive threat to dealers as more software is sold direct through IBM's National Account Program. This program in the near future could tend to limit the effectiveness of dealers' outside sales forces.

#### F. ELECTRONIC DISTRIBUTION

- In late 1982 the concept of electronic delivery of software by retailers emerged. Dealers were to have a type of computerized disk copying machine that would produce a copy of a software program at customer's request and keep track of sales for vendor licensing and documentation delivery. The concept was designed to end dealers' inventory problems and, in many cases, lower end-user price.
  - Early electronic distribution delivery system designers (Xante Corporation, Romox, and Cumma Technology Corporation) have all but left the market.
  - Eighty-five percent of respondents had strong feelings against the use of electronic distribution. Some comments follow in Exhibit IV-10.
- The obstacles to electronic distribution--the fear of piracy, uncertainty of its benefits, etc.--will prevent it from being an excepted form of distribution to and through dealers in the near future.

## EXHIBIT IV-10

### ELECTRONIC DISTRIBUTION OF SOFTWARE

85%: NO

Reason:

- Can't Be Controlled Properly
- Too Easy to Pirate
- Not Beneficial to Dealers
- Have Not Seen It Work



- With the acceptance of site licensing by major software vendors and corporations, electronic distribution of software for delivery and updating of products directly from vendor to corporate site will become a new delivery channel. GEISCO is already delivering software by this method with reported success. This, however, will not be in wide use for at least two years.

#### G. VENDOR CONFLICTS

- Dealers were asked to rank six factors that are a source of conflict or a problem for them. The top two comments were "competition for customers" and "manufacturer support" (see Exhibit IV-11).
  - Competition will be discussed in the following section.
  - Manufacturer support as a conflict seems inconsistent with Chapter III, Section H-4, where dealers said manufacturers "stand behind" their products. INPUT believes responding dealers felt that the lack of manufacturer support would be a major problem if it occurred.

#### H. COMPETITION

- The dealer retail distribution channel is being attacked from all sides--direct vendor sales, mail order--as well as by intense competition within the channel itself (e.g., VARs, mass merchandisers).
  - Interviewed dealers believe their biggest competitive threat comes from mail order houses (see Exhibit IV-12). These firms have no overhead for showroom, sales staff, and demo products. They can afford to

# EXHIBIT IV-11

## SOURCES OF CONFLICT FOR DEALERS

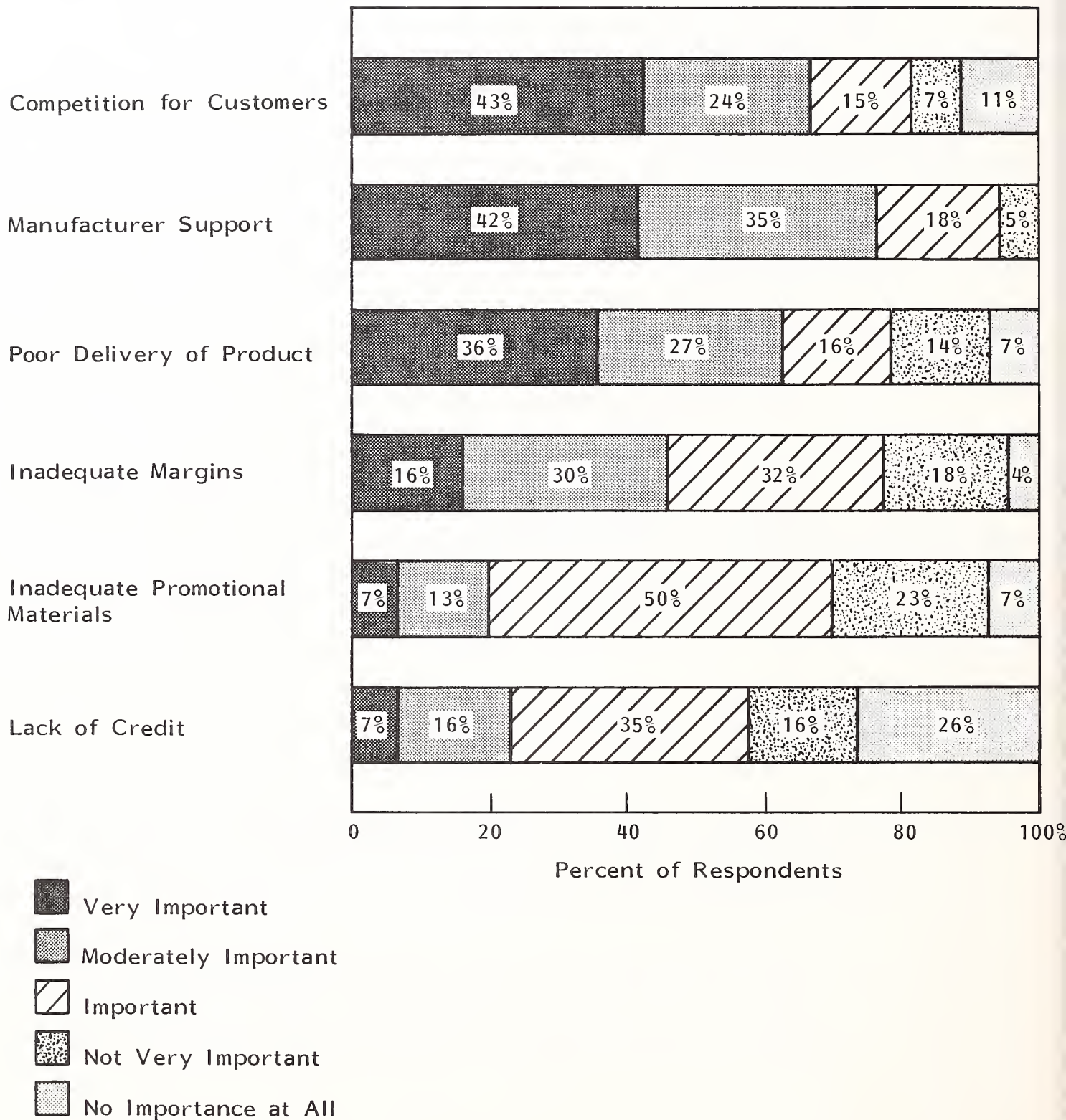
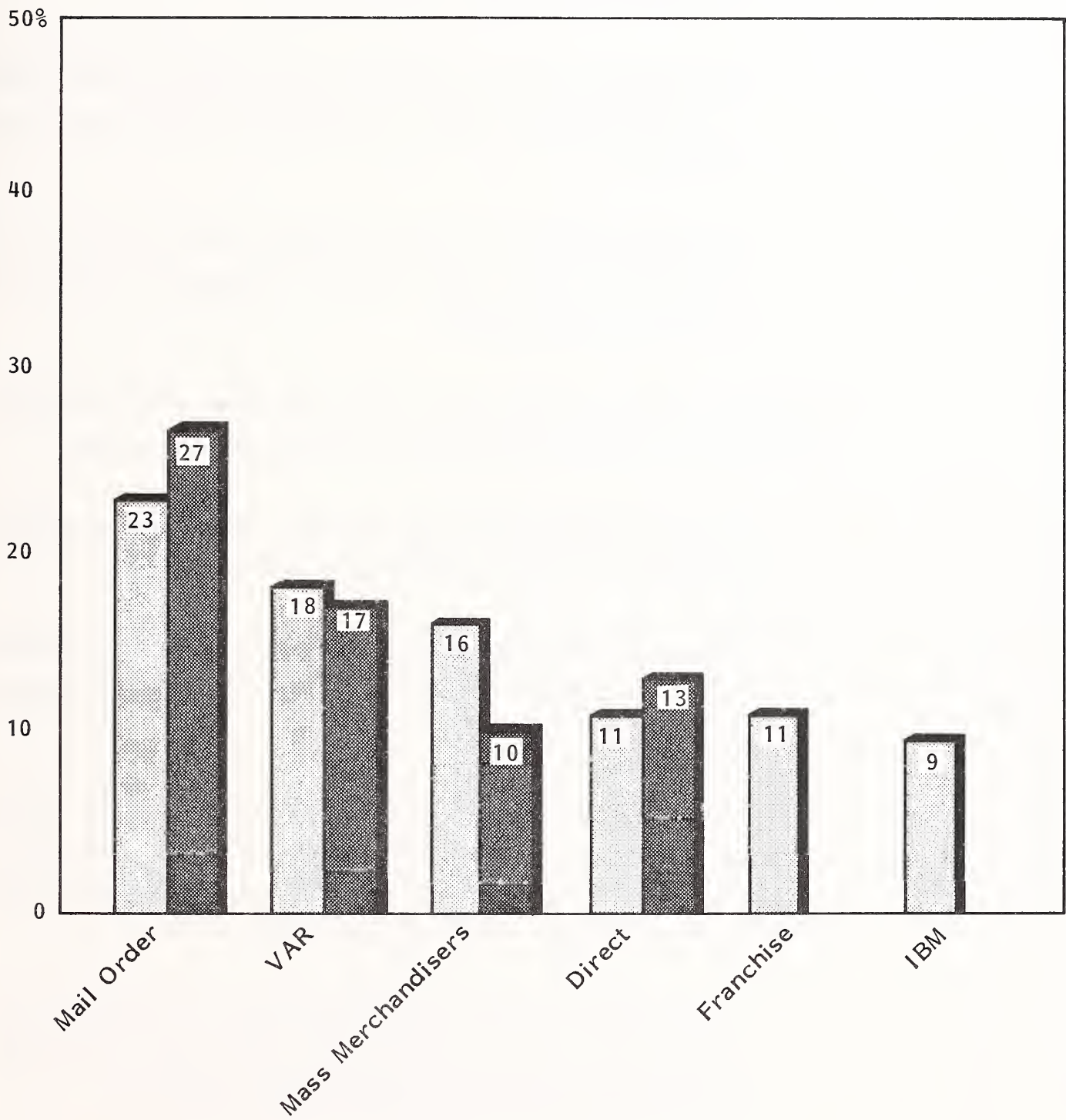


EXHIBIT IV-12

TOP COMPETITIVE FORCES



Very Important

The Most Important

\*Multiple responses were given, therefore total responses total over 100%.



stock a huge warehouse inventory and sell at prices much lower than dealers.

- . With growing user sophistication, software price becomes a more significant issue.
  - . Mail order firms are also offering phone support to users--again, attacking a dealer selling advantage of product service and support.
  - . Dealers must strive for repeat business from clients and try to differentiate from mail order by personalized service and computerized "solutions."
- VARs were the next most often cited competitive force to dealers. This response was given primarily by computer specialty stores.
- . The lines between VARs and computer specialty stores providing customized or market solutions are continuing to blur.
  - . Providing much of the service and support that VARs have been known to provide will again contribute to computer specialty store success.
- Direct sales by microcomputer software vendors, especially via site licensing, will affect dealers. Presently, most major vendors, in an attempt to satisfy their dealer base, are trying to cut down on "gray market" sales as well as refusing to site license products.
- . Major vendors are under great pressure from corporations to site license, and market leader Lotus will establish an industry standard when they begin site licensing in late 1985.

- . Distributors and dealers were at one time the only viable software distribution channel for vendors. By 1986 established market leaders will be able to sell direct either alone or, preferably, with the help of an established minicomputer hardware or mainframe software vendor.





## V BUSINESS BUYING PATTERNS



## V BUSINESS BUYING PATTERNS

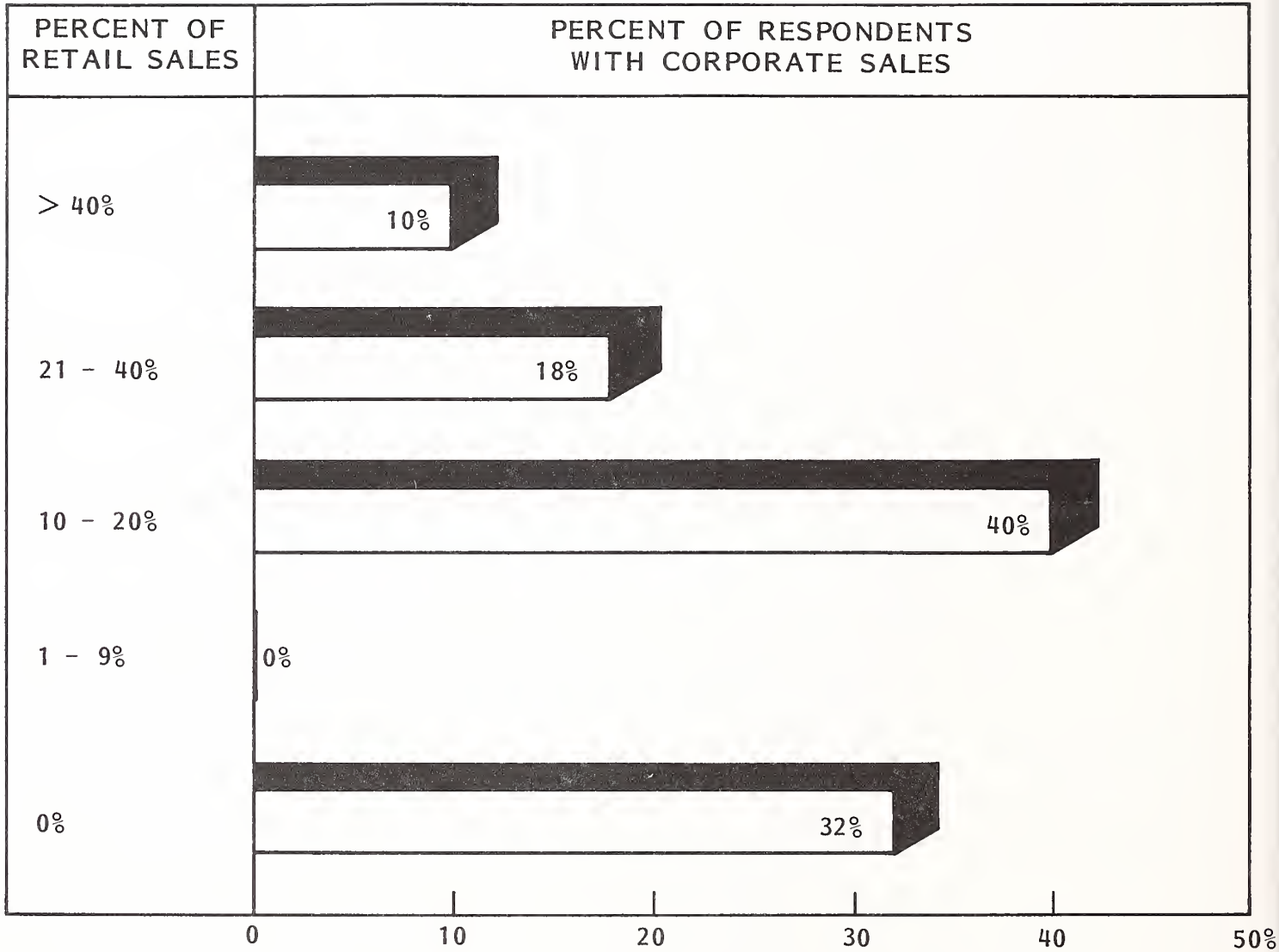
- Business microcomputer hardware and software purchasing differs according to business segmentation criteria. The dividing factor INPUT is using in this survey is company size by revenue. For this survey, "corporate" is a business with revenue over \$25 million, "small business" is a company with revenue under \$25 million.
  - Sixty-four percent of all respondents said that 25% or less of their sales came from corporate purchases.
  - Sixty percent also said that over 50% of their sales came from small businesses.
  - All respondents reported that less than 16% of their sales were to the scientific and engineering market.

### A. CORPORATE SALES

- Of respondents with corporate sales, most reported software sales were 20% or less of total corporate sales (see Exhibit V-1). A larger percentage of corporate sales was from the sale of hardware and peripherals.

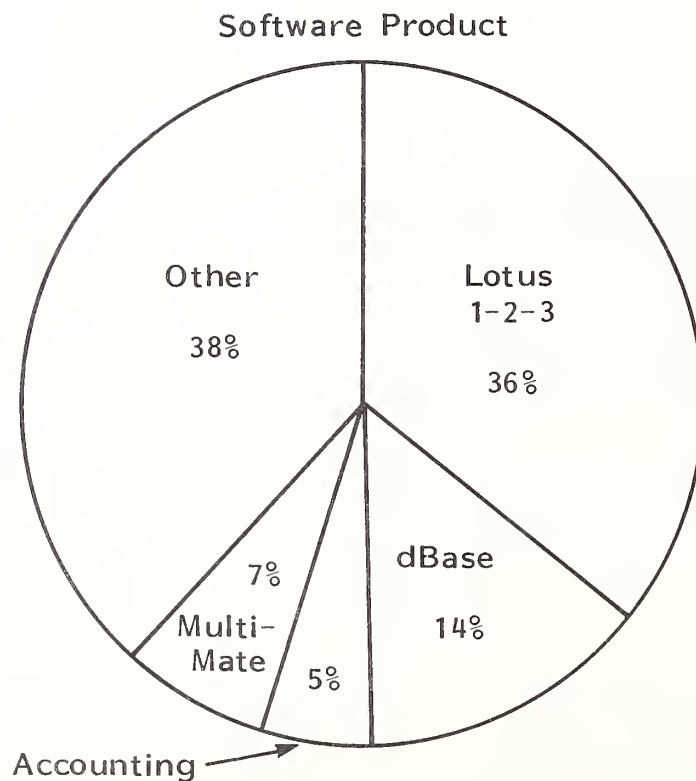
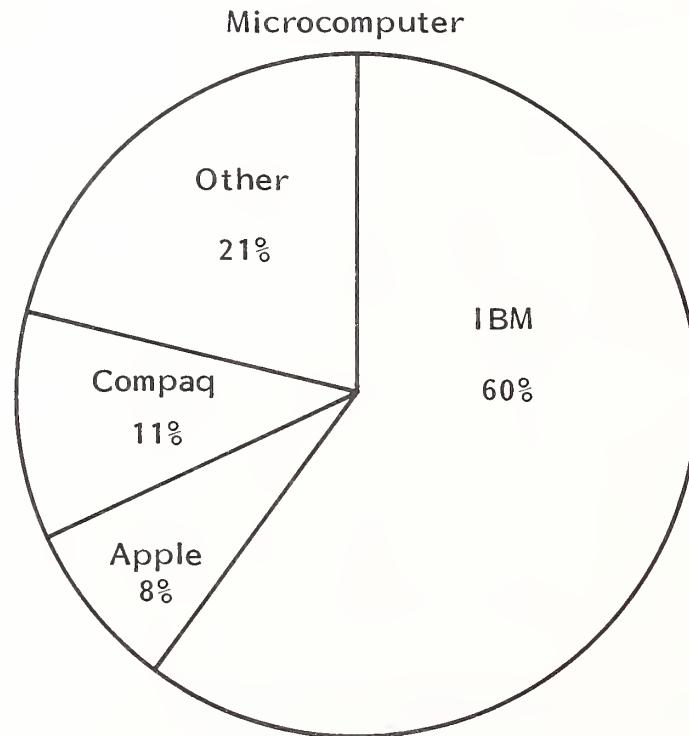
# EXHIBIT V-1

## CORPORATE SOFTWARE PURCHASES



- This is not surprising, since many corporate purchasers are using mail order for quantity purchases.
- This dealer corporate software sales percentage could continue to decrease as site licensing is accepted and IBM more aggressively pushes microcomputer software through its national sales force.
- Respondents were asked to list their best-selling computer to corporate accounts. IBM was the overwhelming first choice (see Exhibit V-2). INPUT expects this hardware buying pattern to continue and that in 1990 for businesses with revenue over \$10 million, 85% of the installed microcomputers will be IBM PCs or compatibles.
- Leading corporate software product was again the "industry standard" spreadsheet--Lotus 1-2-3.
  - Ashton Tate's dBase product had a less than expected share of importance due to:
    - Increased competition of other data base vendors.
    - Many corporate users only use their microcomputers for spreadsheet and financial information, not having a major need as of yet for a data base management package.
  - Multimate has replaced Wordstar as the word processor with the highest percentage of corporate sales according to surveyed dealers. Multimate's ease of use and quality reputation are two factors increasing its sales.
- Dealers report a number of changes occurring among their corporate customers. Some responses are listed in Exhibit V-3.

MOST IMPORTANT CORPORATE MICROCOMPUTER AND  
SOFTWARE PRODUCT



- Appleworks
- Wordstar
- Database Product
- Etc.



## EXHIBIT V-3

### CORPORATE BUYING PATTERN CHANGES, 1986

- "Increase in Peripheral Sales"
- "Increase in Network Sales"
- "Large Business Will Purchase More Hardware  
from Us But Will Buy Software Directly from Vendors"

- Already dealers are anticipating a lessening in corporate software sales but are preparing for increased sales of hardware and networking products.
- Microcomputer software vendors selling through dealers should note this awareness on dealers part and recognize that dealers will soon lessen their thrust of software to potential corporate clients, emphasizing instead sales of products they think will be better, easier, or more profitable sellers.

## B. SMALL BUSINESS SALES

- Of respondents who sell to small businesses, a larger amount of their sales dollars come from software sales than did with corporate retailers (see Exhibit V-4). Almost 50% of respondents had small business software sales of 20% and above.
  - Small business users are more solution-oriented and in many instances less sophisticated in computer experience than corporate users. Consequently, most small business packages are purchased through dealers.
- IBM is still the favored hardware product of small business purchasers according to dealers, but the figure is less significant than in corporate sales (60% versus 42%), as shown in Exhibit V-5.
  - Small business purchasers are more price sensitive than corporations and, in many instances, will choose a less expensive (than IBM) hardware product if it will "do the job."

# EXHIBIT V-4

## SMALL BUSINESS SOFTWARE PURCHASES

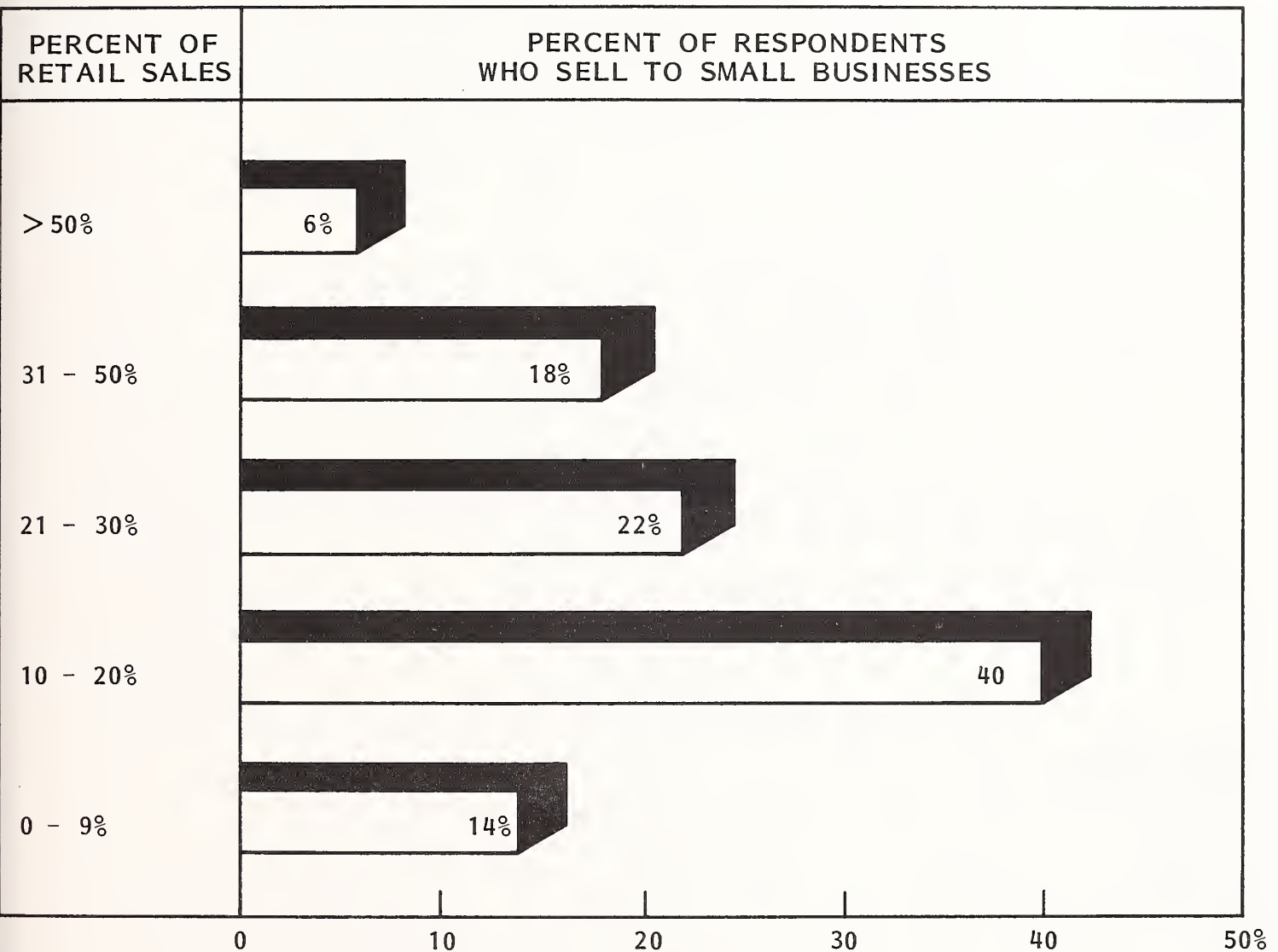
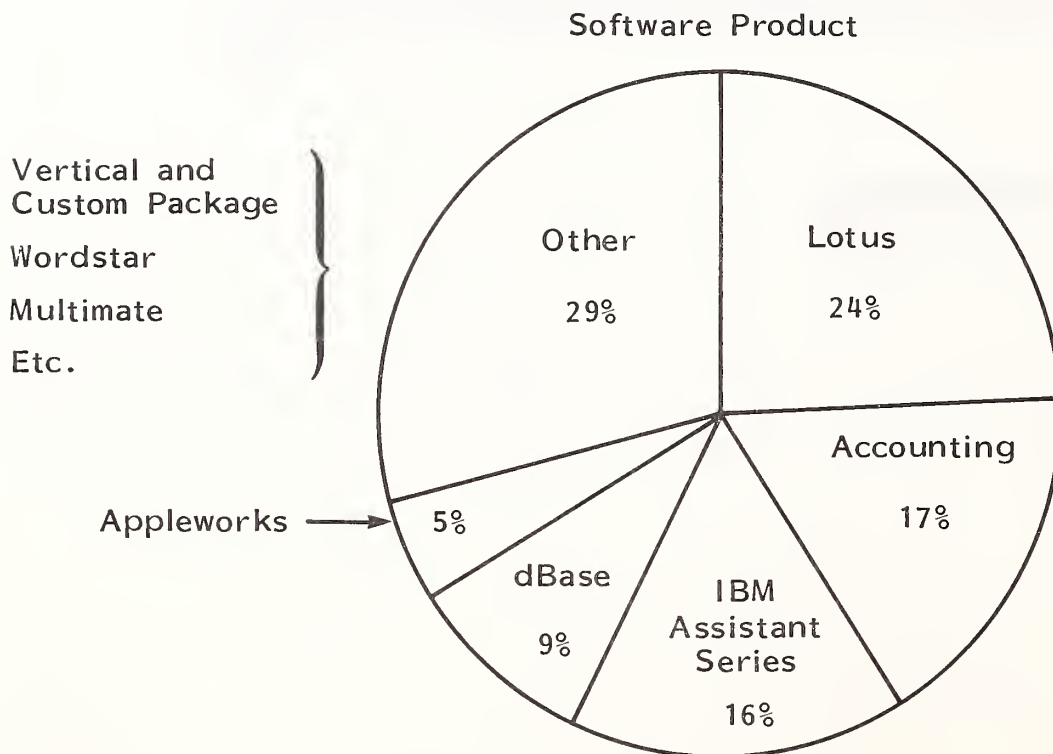
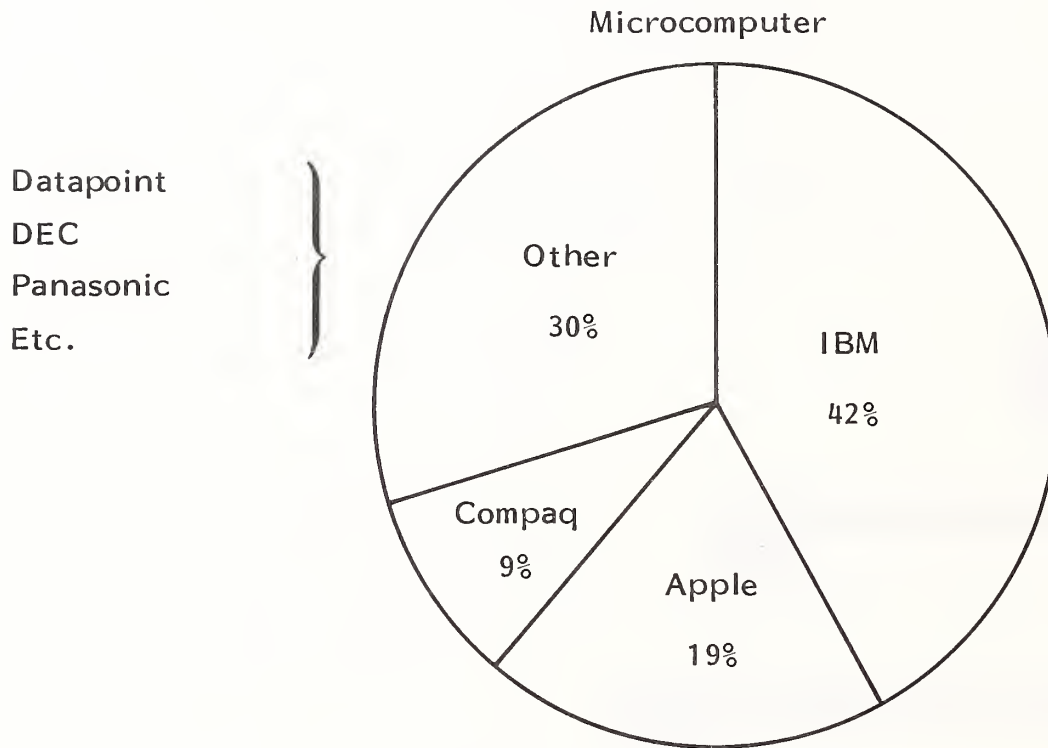


EXHIBIT V-5

MOST IMPORTANT SMALL BUSINESS MICROCOMPUTER AND  
SOFTWARE PRODUCT



- Small business purchasers are also less intimidated by the IBM logo and more likely to purchase another vendor, such as Apple.
- Lotus again accounts for the majority of software sales to small businesses, but is followed much more closely by other popular products in the small business segment than in the corporate segment.
  - IBM Assistant Series--very basic word processing, data base, filing programs--are very popular with small business users. More sophisticated packages are either not necessary or users are not yet experienced enough with computer usage to be willing to try a more complicated package.
  - Accounting ranks very high on product preference. Understandably, small businesses in many instances first incorporate computers to automate their accounting departments. Large corporations generally use mainframes for similar functions.
- According to respondents, although in corporations there tended not to be a central department or buyer of computer products, small business dealer respondents reported owners and financial and accounting departments accounted for 94% of main purchasers.
- Changing buying patterns within small business sales included:
  - More accounting packages.
  - More Macs.
  - More Lotus.





## **VI CONCLUSIONS AND RECOMMENDATIONS**



## VI CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

- Dealers perceive that they will increase revenue significantly from 1984 to 1985. In many instances, this may be "wishful thinking," as industry watchers note store closings, dealership acquisitions, and key public retailers reporting quarterly losses.
- Due to the large decreases in product margins, in many cases increased sales in no way assure increased profits.
- However, 1985 will provide opportunities for dealers willing to "sell" products rather than "take orders" and to provide quality service and support.
- There is a trend among dealers to stock LAN products. The LAN market is still very new with a large number of competing vendors. Users, let alone dealers, are confused. IBM's PC Net will tend to stabilize the market, but application software and service and support issues will still remain. Dealers may jump on the LAN bandwagon too soon and be disappointed when sales do not reflect selling efforts.
- Most dealers now sell or plan to sell to vertical markets. Their target markets and methods of reaching potential customers, however, are in many cases missing. The promise of larger margins from these markets has stimu-

lated interest but the difficulties in closing a sale have not often been addressed. There are opportunities for dealers in vertical markets, but only those willing to research and focus on select segments will succeed.

- Mail order is perceived by dealers as their number one competitor. This is becoming increasingly true as customers become more sophisticated computer users and shop more on price. Businessland is addressing this price consciousness directly by lowering software prices significantly. The overall end result is to pull potential hardware (higher ticket items) clients through the door with the lure of lower software prices.

## B. RECOMMENDATIONS

- Microcomputer software vendors dealers have a limited amount of inventory and shelf space. The top three factors mentioned by dealers for product selection are:
  - Reliability.
  - Customer demand.
  - Vendor reputation.
- A microcomputer software vendor has a higher probability of being stocked by a dealer if:
  - The product line is error-free and easy to use, with good documentation.
  - Either via "word of mouth" or advertising, customer demand is created.

- The company itself is known for responsiveness to users and dealers or for producing quality products.
- These latter two qualities are more difficult for lesser known software vendors to acquire, primarily due to cost constraints and microcomputer software market established leaders. In such cases, perhaps other distribution channels such as mail order, bundling with hardware manufacturers, or selling through VARs would produce higher product sales.
- The LAN market is just beginning, but in a few years will be well established--perhaps too well established for new microcomputer LAN vendors and products to penetrate. Larger vendors should be developing LAN application versions for their most popular business packages for IBM's PC Net and perhaps one other LAN hardware product. Being one of the first products available can have an impact on dealer stocking as well as end-user purchasing.
- Advertising is not a major dealer product selection factor but product and name recognition are important for user purchases. Since user demand stimulates dealer stocking of products, advertising dollars are more wisely spent on ads in business publications such as Business Week and The Wall Street Journal than in retailer trade publications.
- Dealers value manufacturer support. Providing dealers with training on your products so they can better explain and demonstrate its functions and benefits to customers will tend to increase the sale of your products.
- For microcomputer software vendors with vertical packages, research your potential dealers before allowing them to carry your product.

- Have they analyzed the market that you serve?
  - . Do they know the trade associations?
  - . Do they have a focused target audience?
- Do they stock products for a variety of vertical markets? If so, how can they concentrate the resources and time to make vertical sales in all segments?
- If you as a vendor have your vertical product sold by an inexperienced dealer, your product could be misrepresented and, thereby, disappoint a customer, preventing follow-up sales and recommendations.



## APPENDIX A: DEALER QUESTIONNAIRE



## DEALER QUESTIONNAIRE

## I. Preliminary

- A. Store Name
- B. Address
- C. Telephone
- D. Contact Person and Title

## II. Store Profile

## A. Which classification fits your store?

- \_\_\_\_\_ Computer Specialty
- \_\_\_\_\_ Specialized Consumer Electronics
- \_\_\_\_\_ Office Equipment Dealer
- \_\_\_\_\_ Systems House/Integrator (reseller)
- \_\_\_\_\_ Other

## B. How long has the store been in business? \_\_\_\_\_

## C. Type of Outlet:

- \_\_\_\_\_ Independent
- \_\_\_\_\_ Chain
- \_\_\_\_\_ Franchise
- \_\_\_\_\_ Vendor (Manufacturer) Owned
- \_\_\_\_\_ Other

## D. Store Location

- \_\_\_\_\_ Downtown/Business District
- \_\_\_\_\_ Urban Shopping Center/Mall
- \_\_\_\_\_ Suburban Shopping Center/Mall
- \_\_\_\_\_ Other

## E. How many full-time salespeople? \_\_\_\_\_ Inside \_\_\_\_\_ Outside

## F. Do you have a separate sales force for major accounts (Fortune 1000)?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If no, will you have one in the next 6-12 months? \_\_\_\_\_ Yes \_\_\_\_\_ No

G. What percent of sales are from your:

\_\_\_\_\_ Outside Sales Force  
 \_\_\_\_\_ Internal Sales Force  
 \_\_\_\_\_ Mail Order  
 \_\_\_\_\_ Other  
 \_\_\_\_\_ 100%

H. What value-added services do you provide:

\_\_\_\_\_ Training  
 \_\_\_\_\_ Installation H/W \_\_\_\_\_ S/W \_\_\_\_\_  
 \_\_\_\_\_ Program Customization  
 \_\_\_\_\_ Service  
 \_\_\_\_\_ Other

I. What trade publications do you read? \_\_\_\_\_

J. What computer shows do you attend? \_\_\_\_\_

### III. Products/Sales

A. Average monthly sales of h/w, s/w, and peripherals combined:

\_\_\_\_\_ 1984 \_\_\_\_\_ 1985 (est.)

Note: If unable to provide exact figures, refer to the following categories:

- a. \$200K+
- b. \$100K - \$200K
- c. \$50K - \$100K
- d. <\$50K

B. Breakdown of average monthly sales (1984) by product type:

	Percent of \$ Sales	Gross
Microcomputer Hardware	_____	
Microcomputer Software	_____	
- Prepackaged	_____	
- Custom	_____	
Peripherals	_____	
Training/Education	_____	
	100%	

Hardware

- A. Number of hardware lines carried: \_\_\_\_\_ 1984 \_\_\_\_\_ 1985
- B. What is your best selling computer?
- 1984 \_\_\_\_\_
- 1985 \_\_\_\_\_

Software

- A. Do you plan to stock less or more products in the future? \_\_\_\_\_
- B. What is your best selling:

	1984	Change 1985?
Data Base Management	_____	_____
Word Processing	_____	_____
Accounting	_____	_____
Spreadsheet	_____	_____
Languages	_____	_____
Other	_____	_____

- C. Do you plan to drop some software products and begin carrying others?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

If yes, which ones and why? \_\_\_\_\_

Have you dropped any software lines in the past 6-12 months?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

If yes, which ones?

Why?

\_\_\_\_\_ Too Complicated

\_\_\_\_\_ Wasn't Selling

\_\_\_\_\_ No Support

\_\_\_\_\_ Found Replacement

\_\_\_\_\_ Other

- E. Do you presently sell Local Area Network (LAN) hardware and software?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If no, will you in the next year? \_\_\_\_\_ Yes \_\_\_\_\_ No

E. In your opinion, what makes a software package sell?

- \_\_\_\_\_ Store Advertising  
 \_\_\_\_\_ Manufacturer TV or Magazine Advertising  
 \_\_\_\_\_ Name Recognition  
 \_\_\_\_\_ Point of Sale Display  
 \_\_\_\_\_ Other

#### IV. Product Selection

A. Rank these factors in importance for product selection: (1 being very important, 2 being moderately, 3 being not important)

	<u>Hardware</u>	<u>Software</u>
Margins/Terms	_____	_____
Software Vendor Reputation	_____	_____
Dealer Training	_____	_____
Prompt Delivery	_____	_____
Product Reliability	_____	_____
Best Seller List	_____	_____
Demand from Customer	_____	_____
Reviews in Magazines	_____	_____
Trade Publication Ads	_____	_____
Availability of Co-op Advertising	_____	_____
Selling Tools:		
- Point-of-Sale	_____	_____
- Packaging	_____	_____
- Brochures	_____	_____
Other _____	_____	_____

B. Who supplies the computer products which you sell to end users?  
(give percentage breakdown)

	<u>Hardware</u>	<u>Software</u>
Distribution	_____	_____
Direct from Vendors	_____	_____
Systems Houses	_____	_____
Other _____	_____	_____
TOTAL Purchases	100%	100%



## IV. Customer Profile

(Corporate = Fortune 1000 and businesses with revenue > \$25.

Small business = <\$25 million in revenue)

A. In defining your customer base, what percent of each category does your store service?

A1 \_\_\_\_\_ % Corporate user. If no corporate user, skip to C or D.

A2 \_\_\_\_\_ % Scientific/Engineering

A3 \_\_\_\_\_ % Small business. If no small business user, skip to D.

A4 \_\_\_\_\_ % Education/School Users

A5 \_\_\_\_\_ % Consumer/Home

B. Corporate

If yes A1 above, ask 1-4.

1. Of corporate user purchases what percent of your sales are:

\_\_\_\_\_ Hardware

\_\_\_\_\_ Software

\_\_\_\_\_ Peripherals

100%

Is this percent changing in your opinion? \_\_\_\_\_ Yes \_\_\_\_\_ No

If yes how? \_\_\_\_\_

2. Of corporate purchases, what are the two most important personal computers?

\_\_\_\_\_

\_\_\_\_\_

Is this changing? If yes, how? \_\_\_\_\_

3. Two most important software products?

\_\_\_\_\_

\_\_\_\_\_

Is this changing? If yes, how? \_\_\_\_\_

4. Do the majority of your corporate users seem to be from a particular company department? (i.e., marketing, personnel, financial?)

a. Was that the same 6 months ago? If no, how did it differ?

\_\_\_\_\_

## C. Small Business

1. Of small business user purchases, what percent of your sales are:

\_\_\_\_\_ Hardware  
 \_\_\_\_\_ Software  
 \_\_\_\_\_ Peripherals  
 100%

2. Of small business purchasers, what are the two most important personal computers?

\_\_\_\_\_  
 \_\_\_\_\_

3. Two most important software products?

\_\_\_\_\_  
 \_\_\_\_\_

Is it changing? \_\_\_\_\_ Yes \_\_\_\_\_ No

If yes, how? \_\_\_\_\_

4. Does the majority of your small business seem to be from a particular company department? (i.e., marketing, personnel, financial?)

a. Was that the same six months ago? \_\_\_\_\_ Yes \_\_\_\_\_ No

If no, how did it differ? \_\_\_\_\_

## V. Problems/Trends

- A. Rank main sources of conflict (1 = most important, 5 = least important):

Software

Competition for Customers	_____
Inadequate Margins	_____
Lack of Credit	_____
Poor Delivery	_____
Inadequate Promotional Materials	_____
Manufacturer Support	_____
Other _____	_____

- B. List the top two or three competitive forces which may impact you negatively in the near future (such as franchise, distributors, etc.):

Franchises \_\_\_\_\_

Distributors \_\_\_\_\_

Mail Order \_\_\_\_\_

Mass Merchandisers \_\_\_\_\_

Other \_\_\_\_\_

Direct \_\_\_\_\_

VAR-VAN \_\_\_\_\_

IBM \_\_\_\_\_

- C. What effect do you think IBM's new software distribution program (placing a kiosk of products in a store and having dealers pay only for products sold) has on the dealer marketplace?

Are you participating in the program? Why or why not? \_\_\_\_\_

- D. What type of new software products do you see as being popular in the near future? \_\_\_\_\_

- E. After sales support:

1. In general are manufacturers standing behind the products you sell with support?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If yes: to you \_\_\_\_\_ to end users \_\_\_\_\_

2. Who are the best and worst vendors of your products with support?

Best

Worst

\_\_\_\_\_  
\_\_\_\_\_

- F. Are vertical markets of importance in your sales now?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If yes, which markets? \_\_\_\_\_

- G. Do you have any strong feelings for or against electronic distribution of software form retail stores?

Thank You.







